UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

COSTAR GROUP, INC., Plaintiff,	Civil Action No. 08-CV 1156
v.	
LOOPNET, INC., Defendant.	**DECLARATION OF ANDREW C. FLORANCE**

ANDREW C. FLORANCE, under penalty of perjury, declares as follows:

1. I am President and CEO of CoStar Group, Inc. ("CoStar"). I have held this position since I founded CoStar in 1987. I submit this declaration in support of CoStar's motion for a preliminary injunction to prevent LoopNet, Inc. ("LoopNet") from disseminating false advertising that threatens irreparable harm to CoStar's business.

2. CoStar and LoopNet are both in the online commercial real estate business. Throughout most of its history, CoStar has focused on the provision of information *about* the commercial real estate market to industry professionals. Within the past few weeks, however, CoStar launched a new product called CoStar Showcase®, which focuses on Internet lead generation for commercial real estate professionals. The launch of Showcase put CoStar into direct competition with LoopNet, whose online marketing product, LoopNet.com, has always been focused on Internet lead generation.

3. For all industry competitors, the perceived size of the online community of buyers and sellers who actively use their website platform is critical. Buyers want to be able to

search the most comprehensive universe of listings. Sellers wish to expose their properties to the largest possible audience of buyers. Accordingly, customers are attracted to the platform that they consider to be the most widely used.

4. With full knowledge of this dynamic, LoopNet has undertaken a methodical – and successful – campaign to convince the market that it has a vast, and constantly growing, number of users. LoopNet's efforts in this regard have centered upon the claim that it has a staggering number of "registered members" that actively use and view content on LoopNet's website. For example, LoopNet's site currently asserts that ads on LoopNet are "seen by" 2.75 million "registered members." LoopNet is also propagating claims about the number of users who visit its website on a monthly basis, the traffic to its website from its network of partnerships with online newspapers, and the size of its database of listings.

5. All of these claims are false. LoopNet's "registered member" count is not only false (it has admitted that its count is based on the cumulative total of accounts that have been established over more than a decade, not on the current number of active "members"), but misleading in that the "registered member" number has no connection with usage of its website. Further, LoopNet's unique monthly visitors claims are contradicted by the very data LoopNet cites. Its presentation of claimed traffic is false and misleading. And its comparative claims regarding numbers of commercial listings are factually incorrect.

6. LoopNet's new ad campaign is intended to stifle the competition posed by CoStar's Showcase service at its very inception. Unless enjoined, LoopNet's false and misleading claims will cause CoStar to suffer an immediate loss of market penetration, goodwill and momentum that will be difficult to quantify or recoup. Indeed, LoopNet's efforts, if successful, will substantially impede CoStar's ability to enter the Internet lead generation market

in which LoopNet is already entrenched. Accordingly, CoStar seeks preliminary injunctive relief to halt LoopNet's deceptive advertising so that CoStar's new Showcase product can compete fairly in the market with LoopNet.

CoStar's Evolution and the Launch of Showcase

7. CoStar is headquartered in Bethesda, Maryland and has approximately 1,300 employees, including the largest professional research organization in the commercial real estate industry. Twenty years ago CoStar revolutionized the commercial real estate industry with a simple yet powerful idea: create the most thoroughly researched, unbiased source of commercial property information anywhere. Today CoStar is the number one provider of information services to commercial real estate professionals in the United States. CoStar offers customers access via the Internet to a proprietary database covering more than 2.8 million U.S. and U.K. properties and almost 60 billion square feet of inventory in all commercial property types and classes, including retail. CoStar has several competitors in this information provision arena, including LoopNet.

8. On May 15, 2008 CoStar expanded from the provision of information services into the business of Internet lead generation through the introduction of CoStar Showcase. CoStar Showcase is a listing service that is designed to provide commercial real estate professionals with an online platform for marketing their properties before a large audience of online prospects.

9. The launch of CoStar Showcase opened up a new front of competition between CoStar and LoopNet. Indeed, CoStar has now moved into LoopNet's core business: the online marketing of commercial real estate listings. In this business, as noted above, the size of the community using the platform is of critical importance to customers.

LoopNet's New Advertising Campaign Directed At CoStar Showcase

10. CoStar's plan to launch CoStar Showcase has been known and publicly discussed within the commercial real estate industry for some time. For example, the planned launch of Showcase was the subject of considerable discussion during CoStar's October 25, 2007 Q3 2007 earnings conference call. (*See* Ex. 1 at 6, 17-18). CoStar began sending promotional literature for Showcase to prospective customers, in connection with pre-launch sales efforts, in early April 2008. LoopNet, therefore, was well aware that the competitive landscape was about to change. In fact, during the Seventh Annual JMP Securities Research Conference in May 2008, Richard Boyle, LoopNet's CEO, acknowledged that LoopNet had heard about the introduction of CoStar Showcase six or seven months earlier. (*See* Ex. 2 at 7).

11. In anticipation of this new threat, LoopNet apparently decided to launch a preemptive strike so as to prevent CoStar from gaining any traction in LoopNet's primary market. In recent weeks, LoopNet has inaugurated a new advertising and promotional campaign designed to spread false information about the size of LoopNet's user community in comparison to CoStar's. Some of the claims that LoopNet makes as part of this new campaign build upon its prior false marketing tactics, while others are entirely new.

12. Just days after the launch of CoStar Showcase, during the JMP Securities Conference mentioned above, LoopNet falsely dismissed CoStar's Showcase product as having "no marketing audience." (*See* Ex. 2 at 7). By comparison, LoopNet claims to have a vast and unparalleled audience. In recent ads, LoopNet has focused on three purported metrics of its size: (a) "registered members," (b) "unique visitors" and (c) "traffic from" its "exclusive network of newspaper websites."

13. For example, a new LoopNet marketing brochure, an excerpt from which appears below, proclaims that LoopNet has "More Members" and "More Traffic" than

competing commercial real estate websites, then goes on to state – falsely – that LoopNet's online community numbers in the millions (Ex. 3 at 1):

More Members. More Traffic. More Partners.

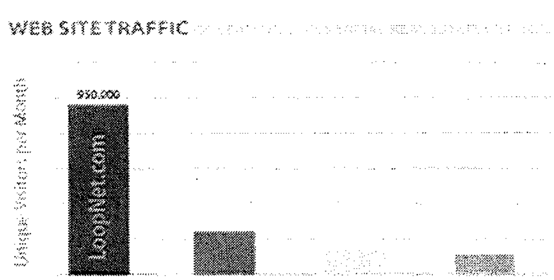
- Over 2.75 million registered members
- 950,000 unique visitors each month*
- Exclusive distribution network of 125+ newspaper web sites
- Trusted by the nation's leading brokerage firms

14. The same advertisement falsely claims that a "Premium" listing enables realtors to "Reach LoopNet's Entire Member Base," and that such listings are "viewable to 2.75 million registered members." (Ex. 3 at 2)

15. This LoopNet flyer goes on to detail LoopNet's purported website "traffic" as compared to its competitors. Among other things, the ad falsely claims that LoopNet attracts "950,000 unique visitors ***each month***" and that this figure "doesn't include traffic from our exclusive network of newspaper web site partners which generates more than 18 million unique visitors each month." The portion of the ad that contains these claims appears below (Ex. 3 at 1):

#1 in Exposure

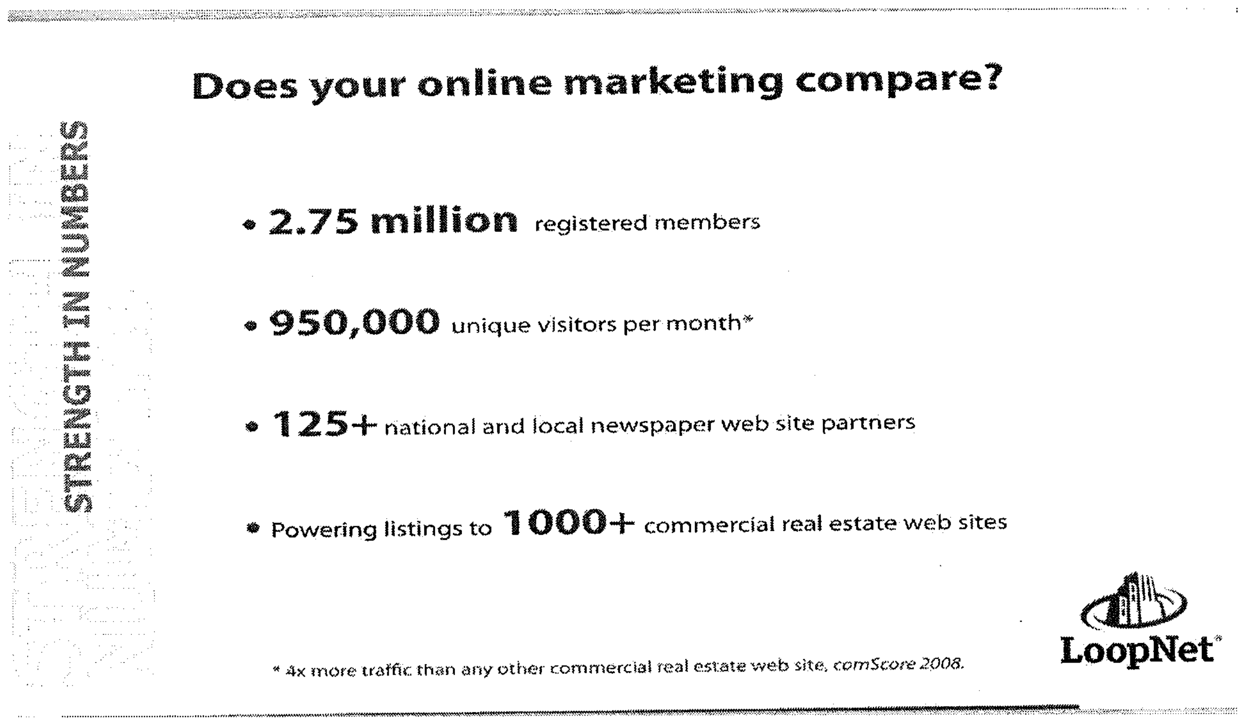
With 950,000 unique visitors each month, LoopNet.com is the most heavily trafficked commercial real estate site on the Internet. LoopNet's user base represents the largest online community of commercial real estate professionals. In fact, LoopNet.com generates **4 times more traffic** than any other commercial real estate web site... and that doesn't include the traffic from our exclusive network of newspaper web site partners which generates more than 18 million unique visitors each month.



1775436v.1

Based on my knowledge of the market, the second bar from the left in the above graph, immediately adjacent to the LoopNet bar, is intended to reflect the "web site traffic" generated by CoStar.

16. Other LoopNet ads that appear to be part of the same comparative marketing initiative make similar claims. For example, another brochure currently being distributed by LoopNet not only repeats these claims, but explicitly asks the reader to use them as a basis for comparison (Ex. 4 at 4):



17. LoopNet's claims are also repeated on its website, as depicted below:

When you advertise on LoopNet, your property is seen by:

Registered Members:	**2.75 million**
Unique Visitors:	**950,000 per month**
Market Coverage:	**All US & Canada**
User Sessions:	**14 million per month**

This information appears on LoopNet's website at http://www.loopnet.com/xNet/Mainsite/Marketing/Advertising/PropertyAdvertising.aspx?linkcode=19280. (Ex. 5).

18. The LoopNet website also claims that LoopNet has "the largest database of commercial listings." This claim appears on a section of LoopNet's website detailing the purported benefits of membership as part of the "Comprehensive Help Center" accessible through http://www.loopnet.com/xNet/MainSite/Marketing/About/Faq.aspx?LinkCode=1230 . (Ex. 6).

19. LoopNet's new comparative ads are squarely directed at CoStar Showcase, and readers will understand them as such. LoopNet and CoStar are the only two entities of any significant size competing in this market. And only CoStar is making a new and aggressive push into this area such as would explain LoopNet's new ad campaign. Indeed, at a recent trade show around the time of the Showcase launch, LoopNet set up a booth just a few feet away from CoStar's booth – in a massive arena – with huge banners touting LoopNet's "More Members, More Traffic, More Partners" message. (*See* Ex. 7) (photo taken at the International Council of Shopping Centers (ICSC) RECon event – The Global Retail Real Estate Convention, May 18-21, 2008 in Las Vegas, NV). There was no doubt as to whom LoopNet was addressing.

20. As detailed below, all of these claims of relative size, which form the heart of LoopNet's new marketing offensive to combat CoStar Showcase, are false and misleading.

A. LoopNet's Claims Regarding "Registered Members" Are False And Misleading

21. LoopNet's claims regarding its 2.75 million "registered members" depend for their impact on a reader believing that "members" are unique individuals and active users of the website. LoopNet actively creates and fosters this impression. For example, as discussed above, its website claims that ads on LoopNet are "seen by" all 2.75 million registered members, and its brochures state that listings are "viewable to" the same population.

22. This builds upon a carefully laid foundation of market deception. LoopNet has for some time deliberately seeded the market with misinformation that conflates "registered members" with active users of the LoopNet website. To provide just a few examples:

- In 2006, when LoopNet claimed 1.2 million registered members, LoopNet sponsored a prominent advertisement in an issue of the RCA Report, a commercial real estate journal published by the National Association of Realtors. In that ad, LoopNet claimed that it had "***over 1.2 million members viewing*** 100 million property listings each month." (Emphasis added here and throughout). (*See* Ex. 8 at 3).

- On November 9, 2006, LoopNet CEO Richard Boyle was interviewed by John Duncan, Pacific Growth Equities' Internet Infrastructure & Services Analyst. Mr. Boyle repeatedly referred to LoopNet's registered members as "users" of its service and "transaction participants" on the LoopNet marketplace. He stated that the first of "three key metrics that we look at in terms of measuring against our primary goal of bringing the marketplace online . . . is ***registered users***," which Mr. Boyle defined as "***how many people are the registered users who have come on and become transaction participants on the LoopNet marketplace***, as I said, ending Q3 just under ***1.6 million***." One of LoopNet's "[p]rimary areas of investment," according to Mr. Boyle, was "to drive further growth in the registered ***user*** base, so bringing more participants online . . . ." (*See* Ex. 9).

- In a brochure entitled "LoopNet Product Summary," LoopNet described its membership as "the largest ***audience of 2.2 million active commercial real estate professionals***." That brochure also stated that "Premium Membership for Professionals enables you to market listings to LoopNet's 2.2 million members." (*See* Ex. 10 at 1).

- In a subsequent brochure called "Premium Membership for Professionals," LoopNet sought to attract customers to pay for listings on LoopNet by promising them that paid listings are ***"immediately expos[ed] to more than 2.4 million LoopNet members***." (*See* Ex. 11 at 1).

23. In reality, LoopNet's count of "registered members" provides no indication of how many unique persons are using its website. It represents nothing more than the

total number of user accounts that have been created – free of charge – at the LoopNet.com website at any time since the site was launched in 1995. An account that, for instance, was set up in 1998, used to view the site's contents only once, and never accessed again is included in LoopNet's advertised total of "2.75 million registered members." In the same way, a second account set up by a "member" because they received a new e-mail address, or wanted access from home, would be counted as a separate "member" even though only one person is responsible for both accounts.

24. In fact, LoopNet's current online audience is only a fraction of its historical total of registered accounts. It's claimed 2.75 million "members" include accounts created by:

- people who signed up for LoopNet (at any time from 1995 to the present) but did not view a single property at the time;
- people who clicked on a link to LoopNet from another site (at any time from 1995 to the present), created a user name and password out of curiosity, but decided after a single visit that the LoopNet site was of no interest to them;
- potential LoopNet investors or business analysts who simply wanted to learn about LoopNet's products, and had no interest in buying, selling, leasing, or marketing commercial real estate properties;
- people who registered under invented names, since LoopNet has no way of knowing whether the "names" submitted by basic members are real;
- "bots" or other nonhuman "visitors";
- people with duplicative "memberships," e.g., for a single individual using different email addresses (such as janedoe12345@yahoo.com, janedoenyc@hotmail.com, janewdoe@aol.com, janedoerealestate@gmail.com, and jane.doe@company.com); and
- people who once signed up for LoopNet but are now retired, are no longer in the commercial real estate business, have long since sold the only property they hoped to market, or are deceased.

25. LoopNet has recently conceded that "registered members" are in fact different from active users. On February 27, 2008, LoopNet CEO Richard Boyle addressed the

Jeffries Fourth Annual Internet Conference and was specifically asked about LoopNet's claim (at that time) that it had 2.6 million "registered members" and how this figure compared with "active users." Mr. Boyle stated that "We don't break out the different segments of active users. Basically the 2.6 million is total registered users over time." (*See* Ex. 12 at 8-9).

26. Despite this, LoopNet has forged ahead with its false advertising and has successfully established a marketplace perception among industry professionals, securities analysts and market journalists that its "registered members" are indeed active users of its website. For example:

- One target of LoopNet's promotional claims, a regional real estate alliance, repeated LoopNet's statement (at a time when LoopNet claimed 1.5 million members) that paid listings are ***"immediately expos[ed] to more than 1.5 million LoopNet members***." (*See* Ex. 13 at 2).

- The real estate website RetailTraffic stated in an October 1, 2007, report that "LoopNet reports having ***more than 2.2 million registered users***." (*See* Ex. 14 at 2).

- SunTrust securities analysts Robinson Humphrey analysts Andrew W. Jeffrey and Jack D. Ancich wrote in a June 2007 report that: ***"[W]e encourage investors to note that LoopNet currently has two million registered members***. Of these, all but 84,500 are currently non-paying members. The company estimates that roughly 40% of its non-paying members are agents. ***By this measure, the company already has relationships with about 768,000 agents.*** This exceeds our estimate of the entire commercial real estate agent market! From this, we infer that LoopNet's appeal extends beyond traditionally defined commercial real estate agents." (*See* Ex. 15 at 3).

- Jake Fuller and Timothy Forrester, two securities analysts at Thomas Weisel Partners, commenting on LoopNet's November 28, 2007 press release, understood LoopNet's claim about "2.5 million members" to mean that LoopNet has 2.5 million "users": "LOOP also announced today (November 28) that it hit ***2.5 [million] registered users*** (includes free ***users*** and paid subs)." (*See* Ex. 16 at 1).

- The influential online investing site, The Motley Fool, has been repeatedly misled by LoopNet's false claims. On December 31, 2007, for example, The Motley Fool, in an article written by Katrina Chan, stated (in recommending LoopNet as an investment) that a crucial feature of LoopNet is that it has "**a website *frequented by* more than 2.5 million members**." (*See* Ex. 17 at 2)

27. In short, the cornerstone of LoopNet's comparative advertising campaign against CoStar Showcase – its claim to have millions of "registered members" – is a gross exaggeration of LoopNet's true user base. LoopNet's real audience is nowhere near as large as the inflated number its advertising broadly touts.

B. LoopNet's Claims Regarding "Unique Visitors" Are False and Misleading

28. LoopNet's claims regarding the number of unique visitors to its website each month are similarly false. According to its ads, LoopNet's claim that it has "950,000 unique visitors *each* month" purportedly is based upon data from comScore, an Internet traffic monitoring service. In fact, the very data that LoopNet cites shows that actual visits to LoopNet.com fall short of this claim.

29. In the 15 months from February 2007 to April 2008, the number of total unique monthly visitors to LoopNet.com exceeded 950,000 only three times (April 2007, July 2007, and January 2008), i.e., only one out of every five months. Each of these spikes was preceded, and followed, by a monthly traffic level well below the 950,000 claimed by LoopNet. Indeed, in eight of the remaining 12 months, LoopNet had fewer than 900,000 unique monthly visitors, including as recently as March 2008, when it had fewer than 850,000. A chart summarizing the comScore data is attached as Ex. 18.

30. Rather than present the true facts, LoopNet appears to be cherry picking specific months of elevated usage and presenting this data as though it represents LoopNet's standard monthly audience. Like its "registered member" claim, LoopNet's inflated "unique visitors" claims are designed to create the false impression that LoopNet has a greater audience, and enjoys more widespread usage, than it actually does.

31. Moreover, even an accurate count of "unique monthly visitors" presents a misleading picture of LoopNet's true usage. It is my understanding, based on data provided to CoStar by comScore, that only about a quarter of LoopNet's unique visitors actually log in or run searches for real estate. The other traffic includes, for example, people who are put off by having to create an account and input personal information on the website and decide not to run any searches. It also includes others who may be interested in the company only as an investment. Indeed, the one recent month of aberrantly high traffic on the LoopNet website – January 2008, which saw over 1.1 million unique visitors to LoopNet.com as opposed to about 828,000 the month before and about 862,000 the month after – coincided with LoopNet being named "Best Stock for 2008" by The Motley Fool website in an article dated December 31, 2007. (*See* Exs. 17 and 18).

C. LoopNet's Claims Regarding "Traffic From" Its Online Newspaper Partnerships Are False and Misleading

32. LoopNet's new advertisements detailed above regarding supposed *additional* "traffic from [its] exclusive network of newspaper web site partners," which LoopNet claims "generates more than 18 million unique visitors each month," are also false and misleading, in several respects.

33. First, LoopNet's claim that its unique monthly visitor measure "doesn't include" traffic from its online newspapers partnerships is false and deceptive because its audience measures *do* include any such traffic. Based on the source relied upon by LoopNet, LoopNet.com typically attracts fewer than 900,000 unique visitors to its website in a given month. Those visitors are counted whether they arrived at LoopNet's site by manually entering an internet address, using a search engine, or clicking on a link provided by one of LoopNet's

online marketing partners. Traffic to the LoopNet website that originates from these online newspapers will be counted like any other traffic within the unique visitor numbers.

34. Second, it appears that the "18 million" figure to which LoopNet refers in its advertising represents ***all*** visitors to these newspaper websites – not to LoopNet.com. Yet LoopNet's ads say that it receives incremental "traffic from . . . newspaper website partners which generates ore than 18 million unique visitors each month." This is just false – "18 million" is the aggregate monthly traffic on these *newspaper* websites, not on LoopNet's.

35. Third, only a tiny fraction of the "18 million" website visitors that LoopNet cites will ever view *any* ad for commercial real estate, let alone one sponsored by LoopNet. A person who accesses the New York Times website to check the latest headlines or sports scores is no more likely to read one of LoopNet's commercial real estate listings than anyone else who happens to be surfing the internet.

36. In short, LoopNet's assertions concerning the additional "18 million unique visitors" supposedly generated by its newspaper partners are false and deceptive.

D. LoopNet's Claims Regarding The Relative Size Of Its Listings Database Are False and Misleading

37. On its website, LoopNet addresses the question "What are the benefits of LoopNet membership?" with, among other things, the following claim: "LoopNet membership provides access to the largest database of commercial listings."

38. This claim is false. It is my understanding that LoopNet currently has approximately 595,000 listings on its website. CoStar has over a million listings on its website. Accordingly, CoStar – not LoopNet – offers the largest database of commercial listings.

Harm to CoStar and the Public

39. CoStar Showcase may not get a second chance to succeed in the market after this case is finally resolved many months or years from now. Its success will be predicated very heavily on whether CoStar is able to create a critical mass for the CoStar Showcase product in the coming six months. Either the product will generate interest from buyers and sellers, such that Showcase will achieve critical momentum and become a widely used marketing platform, or it will fail to attract enough sustained interest, and have a short life.

40. Cognizant of this short window of time, CoStar has made the launch of Showcase its most important business initiative for 2008. CoStar has spent several million dollars on the development and launch of the product, which includes marketing expenditures, the time and resources of CoStar's product development and IT department, and the investment in training CoStar's sales force to sell CoStar Showcase. It has also devoted extensive efforts to developing a product that has critical advantages over LoopNet's competing product. For example, customers using CoStar Showcase do not have to upload data about their property. CoStar can simply pull information about the property, such as photographs, geographic detail and maps, into the listing from CoStar's preexisting research databases. This is critical for brokerage houses that do not have the staff needed to collect detailed information about each property. CoStar also designed a clean, content-rich format for its listings that is unrivalled in the industry. And CoStar has carefully calibrated its pricing levels and incentives to be more attractive than those of LoopNet.

41. But CoStar cannot compete effectively against LoopNet's campaign of misinformation, which is already taking a toll. Not only has CoStar been forced to devote substantial resources to responding to LoopNet's false messages, it has begun to see signs that LoopNet's false comparative claims are taking root. For example, we have heard from

customers who have expressed concern about the size of the CoStar Showcase online audience as compared to LoopNet's "2.75 million" strong "massive audience." In reality, I believe that the base of users actively running searches on CoStar is comparable to the audience running searches on LoopNet that return full property listings (i.e., those listings that include contact information); but LoopNet's false and misleading claims to the contrary are poisoning marketplace perceptions.

42. If LoopNet succeeds in undoing CoStar's hard work through misinformation, the consequences will be irreparable. CoStar will not be able to wipe the slate clean and launch this product again. It is in the market now and will either achieve critical mass in terms of buyer and seller usage, or it will fail. If that happens, not only will CoStar lose its massive investment, it may be forced to layoff a number of skilled employees currently working at CoStar. Market perceptions regarding a newly launched product are very difficult to undo and the commercial consequences of LoopNet's unconstrained false messages will not be susceptible to later repair.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed at White Marsh, Pennsylvania this 19th day of June, 2008.

Andrew C. Florance

Exhibit 1

FINAL TRANSCRIPT

Thomson StreetEvents℠

CSGP - Q3 2007 CoStar Group Earnings Conference Call

Event Date/Time: Oct. 25. 2007 / 11:00AM ET

CORPORATE PARTICIPANTS

Tim Trainor
CoStar Group - Communications Director

Andrew Florance
CoStar Group - President & CEO

Brian Radecki
CoStar Group - CFO

CONFERENCE CALL PARTICIPANTS

Neal Waggoner
Stephens, Inc. - Analyst

John Maietta
Needham & Company - Analyst

John Neff
William Blair & Company - Analyst

Chris Little
Morgan Stanley - Analyst

Cynthia Reuben
JMP Securities - Analyst

PRESENTATION

Operator

Good morning. My name is Nicole, and I will be your conference operator today. At this time, I would like to welcome everyone to the CoStar Group third quarter 2007 results and financial outlook conference call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question and answer session. (Operator instructions)

I would now like to turn the call over to Tim Trainor, Communications Director. Thank you. Mr. Trainor, you may begin your conference.

Tim Trainor - *CoStar Group - Communications Director*

Thank you, Nicole. Good morning, everyone, and welcome to CoStar Group's third quarter 2007 conference call.

Before turning the call over to Andrew Florance, our President and CEO, let me state for the record that certain portions of this discussion include forward-looking statements, which involve many risks and uncertainties that can cause actual results to differ materially. Important factors that can cause actual results to differ materially include, but are not limited to, those stated in CoStar's third quarter 2007 press release and in CoStar's filings with the SEC, including its Form 10-K for the year ended December 31, 2006, and Form 10-Q for the quarter ended June 30, 2007, under the heading Risk Factors.

All forward-looking statements are based on information available to CoStar on the day of this call, and CoStar assumes no obligation to update these statements.

Today's conference call is also being broadcast live over the Internet at www.costar.com\corporate\investor. An audio replay will be available two hours after the conclusion of this call, and remain available through midnight, November 8, 2007. The replay telephone number is 800-642-1687 within the United States, or 706-645-9291 outside the United States. Please refer to conference ID number 20100647. The replay will also be available over the Internet at www.costar.com\corporate\investor for a period of time following the call.

I will now turn the call over to Andrew Florance.

Andrew Florance - *CoStar Group - President & CEO*

Thank you, Tim. I'd like to welcome everyone to CoStar Group's third quarter 2007 earnings call.

Last quarter, we announced our plans to transition from a period of intensive investment, to one in which we expect to generate solid earnings growth through the remainder of this year, and into 2008.

And as we reported in our press release today -- or, last night -- yesterday -- we believe we have successfully made the turn, and have begun to generate the growth and earnings we expected following the investments we made to expand our U.S. market coverage.

I am also pleased to report that the company completed another successful quarter, in which our core subscription business continued to generate strong revenue growth.

In addition to adding the 81 U.S. markets, our Core Based Statistical Areas, as part of a major expansion of our U.S. market coverage, we also invested to increase the quality of our service offerings in both the United States and Europe, and to grow our sales force.

Now we are seeing the beginning of what expect will be a significant return on those investments, in the form of improved earnings growth. Net income, which had declined over the four previous quarters as we funded those investments, turned up from $1.2 million in the second quarter to $3.3 million in the third quarter of 2007. EBITDA -- which is earnings before interest, tax, depreciation and amortization -- for the third quarter, was up even more, reaching $8 million, nearly double the second quarter of 2007 EBITDA of $4.2 million.

Revenues and subscriber growth continued to increase steadily during the third quarter, as they have done every quarter since our IPO in 1998. Our third quarter 2007 revenue was $49.3 million, a 21.6% increase compared to $40.6 million in the third quarter of last year, and $1.5 million more than our second quarter 2007 revenue.

Going forward with continuously improving operational efficiencies across our organization, we expect revenues to continue to grow over what is now a relatively fixed cost base. As a result, we believe CoStar Group is well positioned to generate continued, sustained earnings leverage through the end of 2008.

Speaking on behalf of the entire management team, I can assure you that we are focused on pursuing the opportunities we have created through this investment, and aggressively executing our earnings growth strategy, and we are fully committed to achieving a 30% EBITDA margin in our U.S. operations by the end of 2008.

I want to update you on our view of commercial real estate market conditions currently. I think we may be seeing the end of one of the great industry booms here. For the past three years, we've seen near-record absorption that has driven vacancies down, and spurred the impressive pricing levels seen in many markets for the buying and selling of commercial real estate assets.

But more recently, the sales and leasing activity have continued to cool off. We are seeing lower net absorption levels occurring across both office and industrial property types.

The U.S. office market posted net absorption of 19 million square feet in the third quarter. Although that's still positive, and it could -- you know, in the past, we've seen it go very negative -- the amount of space absorbed was the second lowest total for a quarter in the last three and a half years. Only the first quarter of this year posted a lower net absorption figure.

For the end of the third quarter 2007, net office absorption totalled 62 million square feet versus 90 million at the same time last year, a decline of slightly more than 30%. Overall net absorption is down in 32 markets compared with last year, and up in just 19.

Net absorption also is down for industrial property. Through September 30, net absorption in industrial posted a similar decline as office, totaling 125 million square feet versus 185 million square feet at the same time last year. The number of industrial markets with declining absorption in the third quarter was 30 markets, while absorption increased in only 21.

One potential problem that concerns us is that the amount of new office, industrial and retail space delivering across the country looks like it's about to surge dramatically, at a time of lower leasing activity.

The decline in vacancy rates has stopped, remained largely unchanged in office and industrial sectors this past quarter. The national average vacancy rate held at 11.1% for office space, and 8.5% for industrial. Only retail managed to buck the trend by posting a slightly lower overall vacancy rate.

Going forward, the combination of high deliveries with low absorption could lead to higher vacancy rates and declining rents. That in turn would likely cause the current exceptionally low cap rates, in particular in the current credit market, to erode, and it could bring property values down, perhaps dramatically.

We believe the impact will be more severe on the investment sales market than on the leasing markets. We believe that CoStar has less exposure to the investment sales market than the leasing market. We also believe that the softness in commercial real estate markets will impact the marginal players more than the higher end firms that tend to be our clients.

We have managed the business through several commercial real estate cycles in the past, and have grown subscribers and revenues through every quarter since our IPO nearly a decade -- in fact, before that. We have made a point of focusing our business on our most resilient clients, to reduce our exposure to just these sorts of downturns. We believe that many firms have an even greater need for our information in a downturn.

We remain confident in our business model, and our proven ability to manage through market cycles, and to consistently drive revenue and grow earnings. This isn't to say we aren't facing a more challenging environment in our business. We are more excited and confident in the earnings leverage that we anticipate in the coming quarters than we are concerned about the market cycle.

The third quarter of 2007 marked the substantial completion of the stepped up U.S. research costs associated with great canvassing and researching the 81 new markets we're entering this year. We now expect to see these cost structures stabilize. Our research team has done an outstanding job in researching these new markets and aggregating so many listings in such an efficient and timely manner. The results are clearly evident in the growth of our database, and very soon in the number of markets we offer our service to.

It still amazes me that as a company, it took CoStar Group about 19 years to build up 400,000 listings, and we've had that same number of listings in the past 18 months alone. This impressive feat is a direct result of our successful investment, additional research, personnel, and equipment in the past two years.

Total research and verified commercial real estate listings in CoStar's U.S. database group, 46% year over year, from approximately 546,000 in the third quarter of 2006, to 798,000 in the third quarter of 2007. As of today, we now have a record total of 869,000 listings in total across Europe -- actually, the United Kingdom and the United States, in our database. So there's 869,000 listings across the United Kingdom and the United States in our database currently.

The total U.S. rentable square footage tracked and maintained by CoStar now exceeds 42 billion square feet, offering detailed information on more than 1.92 million individual properties across all types and classes of commercial real estate. The largest year over year growth in listing type occurred, again, in our For Sale listings, which increased 74%. At the end of the third quarter of 2007, CoStar had over 292,000 For Sale listings in the U.S., compared to approximately 168,000 listings at the end of the third quarter of 2006.

Of course, much of this growth is a result of our addition of the 81 new markets throughout the U.S. Approximately 10% of our current inventory consisted of new markets, our Core Based Statistical Areas. They also now account for approximately 12% of our total listings.

We are confident that the research investment we have made in these new markets will result in increased sales of our services to new clients within the 81 new markets we are planning to open, and to many existing and prospective clients in our current markets.

The addition of all these markets fills in a great deal of geography, and adds contiguous market areas, making our coverage even more comprehensive and robust than it was before, which we believe enhances our overall value proposition.

Our experience in adding new markets to our research based information services has demonstrated that after making the necessary investment to add the market inventory to our database, the markets we enter become profitable, in aggregate, approximately 18 months after product release. (inaudible), last year we completed a similar geographic expansion covering 21 markets. That expansion phase was completed with the launch of our service in Milwaukee in February of 2006.

Today, those 21 markets are profitable in the aggregate, generating a 43% EBITDA market level margin.

With this latest expansion phase nearing completion, I can say we are well on our way to achieving our goal of being the only real estate information provider with a research organization, propriety software and infrastructure to offer truly comprehensive national U.S. coverage for commercial real estate. And it's also important to point out that with the completion of these 81 markets, we really are covering virtually every U.S. commercial real estate market that is remotely significant. So there's no story about adding another 20 markets next year, anything like that.

I'd also like to update you on our progress, working with the CCIM Institute to provide CoStar's information services to its large membership across the United States. We were very eager to introduce CoStar and its product offerings to a large group of commercial real estate professionals, and highly qualified prospective subscribers to such a well-regarded organization as CCIM. Under the agreement, CoStar is providing CCIM members with access to our information services for a limited time, in each respective CCIM member's home market.

We know that first impressions can be lasting ones, so we've made a concerted effort to reach out to every CCIM member who registered and used our product. Of course, supporting such a large number of new users during a limited time offer did occupy a very significant amount of time from the sales force. They were tied up throughout the third quarter on this initiative without any material revenue benefit in the quarter.

To date, more than 2,350 CCIM members and candidates have used our service in this trial period. Many have become regular users, and very intensive users, and we are confident this large-scale trial will result in a significant number of new subscriptions and a revenue benefit in the fourth quarter of 2007, and the first quarter of 2008. CCIM also provided CoStar with tens of thousands of lease and sale listings and comps from its CCIM membership base that we can use in our research process.

By far, one of the most significant third quarter highlights for the company was signing the world's largest real estate services provider, CB Richard Ellis, to a long-term enterprise-wide information services agreement to deliver CoStar's full suite of verified commercial real estate information services to CB Richard Ellis offices and partner offices throughout the United States.

The agreement covers a potential term of 11 years, and includes additional service offerings and a significant increase in the market coverage. It represents the largest financial commitment that CoStar Group has ever received from a single client, and the company expects it will generate significant additional revenue beginning in 2008, and then throughout the term of the agreement.

With a potential value exceeding $100 million in revenue over the entire term, the agreement represents both a major economic event, and a strategic advantage for the company. The fact that CB Richard Ellis, along with the majority of commercial real estate industry's largest and most influential firms, have committed to CoStar as the data standard for the U.S. operations serves to underscore our value proposition as the industry's leading information service provider. We believe that for CB Richard Ellis, and many of our customers, CoStar is increasingly valued as an essential long-term partner and service provider.

I don't believe a company of CB Richard Ellis' stature and knowledge of the marketplace would enter into such a significant economic agreement with CoStar if they believed there were an other viable solution provider out there was likely to emerge in a decade horizon. The fact is, our newly expanded national scale and high quality information resulting from our research verified process has become extremely valuable to our core subscribers, the major established service providers, who are called on to assist their corporate and investment clients in markets around the country and around the globe.

It is also clear that by entering into a long-term, mutually beneficial agreement with us, CB Richard Ellis has more closely aligned its interests with CoStar's. This represents a significant strategic change. At one time, CB Richard Ellis explored their option of partnering with other firms and a data sharing agreement in order to control their strategic information assets. It became increasingly obvious over time that the solution we offered resulted in the availability of higher quality information for their brokers, at a very reasonable cost.

As a result, the agreement contains a mutual non-compete clause. The long-term commitment and an enterprise-wide agreement to use CoStar's multi-market data greatly reduces the potential competitive threat from other commercial real estate data providers.

Another example of how our relationship has expanded and grown more comfortable over time is found in the greater flexibility over [datas] provided in the new agreement. CB Richard Ellis is integrating, deeply integrating, CoStar's information within its internal information systems.

Finally, there's one other aspect of this agreement that I think is important to note. As many of you know, CB Richard Ellis recently merged with another of our major clients, Trammell Crow. Prior to this merger, CB Richard Ellis was already our largest customer, and became only more so following the merger.

The new agreement is, in large measure, a result of the merger and consolidation. However, because of the enhanced value CoStar's information service provides to a highly integrated service provider on a national and increasingly global scale, the revenue from the new agreement is significantly more than the revenue from the two previous separate agreements.

The company has made expanding the size of our sales force to take advantage of our still very large market opportunity one of our top priorities. In the first half of 2006, the size of our field sales force was approximately 70 quota-carrying U.S. field subscription reps. Management set a goal of doubling that sales force, and we have, in fact, done that. we now have 148 U.S. subscription sales reps.

We continue to see progress at a measured pace towards 165 sales reps. These sales reps are located both in regions of the country where we currently have no local sales coverage, and in areas where we have reps but we need more.

Generally, CoStar reps with less than a year of experience are far less productive than a rep with more than a year's experience. Because of the recent rapid hiring, approximately half of our sales reps have less than six months of experience, and are making important but limited contributions to our overall production. These reps require a significant amount of manager time and attention.

This has caused some level of friction and drag in the sales organization. We anticipate that it will take several more quarters to return to the high level of per salesperson productivity we enjoyed prior to our very rapid expansion of our sales force. But we are working diligently toward achieving that.

Despite the disruption caused by the sales force hiring surge, we showed solid sales results in the third quarter of 2007. Our renewal rate remained high for the quarter at 91%, underscoring the usefulness of our information and its central role in our subscribers' day to day, mission critical activities.

Sales to existing customers, excluding renewal increases, increased 42% year over year. The rate of growth of new subscribing firms was relatively flat on a quarter over quarter basis, with 572 new firms in Q3 compared to 581 in Q2. Year over year growth of new subscribing firms increased by 31%, with 436 added in Q3 2006, versus the 572 in Q3 2007. We believe we are adding about 2,000 subscribers per quarter, at this pace.

The Midwest -- where the Midwestern region of the country did show some softness during the quarter and the prior quarter, but other regions remained very strong. The average new contract value declined quarter over quarter, from $9,064 annualized in Q2 2007, to $8,010 in Q3. This is likely due to two factors.

First, with so many new sales reps, we are signing smaller first contracts -- initial sales that are much smaller than the average overall sale we enjoy with a more experienced rep. Secondly, with this summer's credit crunch, we saw a significant drop-off in the number of new contracts from financial institutions, which tend to be the higher dollar contracts.

We believe that while many of these firms have frozen new purchases currently, we believe they will have even greater need for information services in workout scenarios that could occur. In past market cycles, we have seen demand from financial institutions go up in a downwards cycle.

U.S. subscription contract bookings in the third quarter of 2007 were $5.6 million, down from $6.4 million in the second quarter, but up from $5.1 million in Q3 of 2006.

We anticipate releasing a new service in the first half of 2008, that cost effectively markets our clients' listings on the Internet to general audiences, as opposed to the professional audience our brokers market to today for free in our current products. We believe that this product, called Showcase, will be the first product we have produced that competes with our indirect competitor, LoopNet's core value proposition of general Internet marketing.

We believe that this competitor's recent, relentless price increases will create significant room for new competition. In a softening market, commercial real estate listings take longer to lease or sell. This means that brokers will build up higher counts of listings at the same time that their income is declining, and they're becoming more price sensitive. We believe that brokers will be very sensitive to vendors with continued price increases in incremental listing count fee structures that penalize them in such a downturn, and that could lead to a negative cycle.

CoStar first entered the European market in January 2003 by acquiring FOCUS Information Ltd., a major U.K. provider of web-based access to verified commercial lease comparables, available space, requirements, tenants, planning information, and photos. And in 2004, we acquired the Scotch Property Network, which offers users online access to a comprehensive database of information for properties throughout Scotland, including available space, comparable sales, and lease deals.

During the fourth quarter of 2006, CoStar purchased Grecam, a leading provider of commercial property information research and analytics, that we believe has the most comprehensive property database in Paris. Grecam provides consulting services and subscription based data to real estate professionals, including commercial property listings, on approximately 14,000 Parisian office and industrial buildings.

During the first quarter of 2007, CoStar acquired Property Investment Exchange Limited, Propex, for approximately $22 million in cash and stock. Propex provides a web-based introduction platform that brokers use to introduce high value properties for sale to potential buyers.

In addition to having an introduction platform, Propex had acquired and operated a U.K. retail information website called Shopproperty, and a London office information service called Screendata, which competed with our firm FOCUS.

Our goal is to become the pre-eminent source of commercial real estate information in Europe by building as strong a product offering in Europe as we have in the United States. We believe the European opportunity is at least as large as the U.S. opportunity, if not larger. We believe that the market for commercial real estate information systems is less developed in Europe, and more fragmented than it is in the United States.

Our many global customers have told us that they would find a standardized, international information platform extremely valuable. We believe that with the quality of our U.K. and French team now in place, our experience, our technology, and demand from an international client base for a standardized product -- all this will give us a competitive edge in the marketplace. We intend to expand through Europe at a measured pace.

Since our acquisition of U.K. based FOCUS in 2003, CoStar has operated in the U.K. under the FOCUS name. With our recent acquisitions of Propex, Shopproperty, Screendata, SPN and Grecam, we have now introduced CoStar Group as the umbrella brand encompassing all of these companies in Europe. The strategy of bringing together and integrating our U.K. operations appears to be working very well, as prospects and customers alike now see clear consolidation in what had been a very fragmented information market in the U.K.

As we previously disclosed, CoStar is investing resources in 2007 and 2008 to integrate our European subsidiaries into a common software platform with its U.S. product offerings. In addition, CoStar has nearly doubled the size of the U.K. research operation this year, to ensure the same level of comprehensive coverage in the U.K. as we offer in the U.S.

In order to cost effectively handle the tremendous growth in the U.K. research group, we invested early in the year to open a research operations center in Glasgow, rather than grow our existing research operations in a hyper-expensive London real estate market. The Glasgow research center startup is aided by the fact that we already had a small but very strong research operation there from our Scottish Property Network acquisition.

During the course of the third quarter, we evaluated all -- actually, the second and third quarter -- we evaluated all these acquired operations, and took steps to consolidate and streamline the operations into the most effective and cost efficient position. We made a number of both management and staff positions redundant, thereby reducing our costs, and our need for real estate in London. Paul Marples, who was the managing director of the Propex operations, was promoted to the position of Managing Director, Europe.

Because we took these steps, we were also presented with an opportunity, which we took, to enter into an agreement to terminate our office lease in Mayfair, in exchange for a payment of up to 4 million pounds, depending upon how quickly we vacate these premises, which we are trying to lease so quickly, we don't have time to turn out the lights.

By agreeing to vacate our Mayfair office, we also expect to avoid a very steep increase in our rental costs in 2008. By the end of 2007, we intend to consolidate our offices in Mayfair, Barkley Square, and [Chin] into one smaller office facility in SoHo. We are pushing the majority of our headcount growth into Glasgow, thereby controlling our costs.

These steps are positioning us for significant potential earning upsides in the quarters to come. We do believe that with all of these different consolidations, and refocuses, and reorganization of where our cost structures are, that we will be breakeven by the fourth quarter of 2008 in our European operations, which is a significant upside from where we had been earlier this year.

Our core attribute of our U.S. flagship product, CoStar Property, is that it acts as a reliable and comprehensive clearinghouse of lease and sale listings. We believe that this is one of our value propositions that our customers say they cannot live without. Our U.K. operations did not have a comprehensive enough or reliable enough inventory of listings to enjoy the benefits of this sort of this sort of value proposition.

We have made creating this sort of comprehensive inventory of listings a top priority for the U.K. team. While we got off to a slow start this year, the team is now making good progress towards this goal, taking our listing counts in the U.K. from 37,000 in January of this year to some 71,000 today, for an increase of 92%. And we believe that growth will continue.

In furtherance of this goal of becoming the clearinghouse for property listings in the U.K., we released a software upgrade during the quarter that increased the functionality, visibility and usability of our agency, or in the U.S., our listing product. The product has been very well received, and usage of our agency product is up dramatically from before the release.

In the year before we acquired Propex, it had acquired Screendata, which competed with our FOCUS product. We have converted the vast majority of clients that were purchasing Screendata's product, but not FOCUS, into FOCUS subscribers. We then discontinued Screendata's operations, losing only the revenue associated with Screendata subscribers who were also subscribing to FOCUS prior to the acquisition. Obviously, this was the right move to do, because we dramatically reduced our costs.

Because of this, and clear seasonality in our French-based consulting operation during the month of August when offices close there, revenues attributable to our European operations dropped slightly, from $5.9 million in the second quarter of 2007, to $5.8 million in the third quarter of 2007. Remember though, year over year, our revenues increased from $3.3 million the third quarter of 2006, to $5.8 million in the third quarter of 2007.

CoStar is committing significant resources in integrating the U.S., U.K. and French information services into one common technology platform. This is a major project, and we believe that it will take the better part of 24 months. The project will be delivered in phases, with the first releases occurring in the U.K. in 2008. At the conclusion of the [product], the new software platform will replace and upgrade our current U.S. software platform. The software allows a user to seamlessly run queries, analyses across borders, in whichever of a half dozen language they choose, in whichever currency they choose, using whichever country's business rules they wish.

The first two of dozens of planned modules have already delivered for internal evaluation, and they're performing stunningly. Since we are using next generation technology, the speed of the application is nothing short of amazing. I have seen queries run against tens of thousands of properties complete in less than a fraction of a second. Currently, those queries could take a hundred times longer or more.

Before I turn the call over to Brian, I want to reiterate again that at this time, the company's focus and direction is on transitioning from previous periods of heavy reinvestment, into one of leveraging these many investments, to show consistent earnings growth over the next five quarters. And the thing to remember here is that we're transitioning from heavy investment not because of a shifting economy, but because we completed the United States of America.

For the rest of 2007 and 2008, the company is focused on developing our human resources to their fullest potential, pursuing customer service excellence, enhancing the already high quality of research we perform, enhancing further the cutting edge software we provide to our clients, and reaching out and finding the thousands of prospects out there that will find real value in the huge array of products we've produced here.

Our first goal is long-term, intermediate term, and short-term earnings growth. We are pleased to have clearly delivered on that commitment this quarter.

At this point, I would like to turn the call over to Brian Radecki, CoStar's Chief Financial Officer, to talk a bit more about our third quarter 2007 results. Brian?

Brian Radecki - *CoStar Group - CFO*

Thank you, Andy. Now you can take a breath.

Today I am going to focus principally on sequential results for the third quarter of 2007, compared to the second quarter of 2007, and on our outlook for the fourth quarter of 2007.

Total revenues grew sequentially by 3.2% overall from Q2 to Q3 of 2007, increasing from $47.8 million to $49.3 million.

Core U.S. subscription revenue increased by 4.2% from Q2 to Q3 of 2007, with renewal rates at 91.1% for the quarter, compared to 91.6% for Q2 of 2007.

Our Q3 renewal rate was essentially reduced by nearly 1%, due to our decision during the quarter to consolidate the duplicative acquired Screendata service. Otherwise, our renewal rate in Q3 would have been slightly higher, compared to Q2.

Overall top line results for the quarter were partially offset during the seasonally slow third quarter, and by the lower than expected revenue from non-subscription services, which account for less than 5% of total revenues.

Total subscription revenues for the company continued to account for over 95% of the revenues in Q3 of 2007, with our international operations contributing 11.8% of the total revenues.

International revenues decreased slightly, from $5.9 million in Q2 to $5.8 million in Q3 of 2007. This decrease is primarily due to lower consulting fees in our French subsidiary, Grecam, due to seasonality, and the consolidation of the acquired duplicative Screendata service, which came from our recently acquired U.K. subsidiary, Propex. However, our international revenues increased $2.5 million, or 78%, from $3.3 million in Q3 of 2006, compared to $5.8 million in Q3 of 2007.

The company has reported sequential revenue increases in every quarter since its IPO in 1998, and successfully through several commercial real estate cycles.

Gross margins increased by $1.3 million, from $28.5 million in Q2 to $29.8 million in Q3 of 2007, on a $1.5 million increase in revenues. Overall margin percentages increased slightly from 59.6% in Q2, to 60.4% in Q3 of 2007. The U.S. margin percentage continues to increase from Q2 to Q3, while the international margin percentage decreased slightly, as expected, during the quarter, due to the ramp up of our new, lower-cost research operations center in Glasgow, Scotland.

Overall, operating expenses decreased by $2.2 million, from $28.2 million in Q2, to $26 million in Q3, principally in the selling and marketing area due to the seasonal Q2 expenses related to the annual ICSC trade show. As reported earlier, the company's overall operating expenses have now stabilized, and are expected to remain relatively fixed moving forward.

As a result of the revenue growth and decreased operating expenses, EBITDA increased from $3.8 million -- from $4.2 million in Q2 to $8 million in Q3 of 2007. GAAP basis net income increased from $1.2 million, or $0.06 per share in Q2 of 2007, to $3.3 million, or $0.17 per share in Q3 of 2007. Reconciliation of GAAP basis results of all non-GAAP financial measures discussed on this call, including EBITDA, is shown in detail in our press release issued yesterday, which is available on our website at www.costar.com.

Capital expenditures for Q3 of 2007 were approximately $3.5 million, well within our expected range for the quarter. We closed the quarter with approximately $164.2 million in cash, cash equivalents, and short term investments, an increase of $9.7 million during the quarter. Also, the company has no long term debt.

Now I will discuss -- wait. Let me repeat that. Cash increased $9.7 million during the quarter. That's nice.

Now I will discuss the outlook for the fourth quarter. As indicated in our press release, we expect a sequential quarterly increase in revenue from the third quarter to the fourth quarter, of approximately 3% to 5%. We continue to believe there is upside revenue potential moving forward in 2008, after we release the 81 CBSAs late this year.

As Andy mentioned, revenue growth is largely dependent on the successful growth and productivity of the sales force, particularly in view of the revenue opportunities resulting from the momentum in the established markets, the new markets, the retail offering, and new international opportunities.

For the fourth quarter of 2007, we expect fully diluted income per share of approximately $0.19 to $0.21. We expect to continue to leverage and grow earnings from U.S. operations through 2008 as a result of having stabilized the costs associated with our earlier reported step ups in investing activities, which are nearly complete, combined with our consistent core revenue growth.

Gross margin percentage is expected to somewhat improve from Q3 to Q4, as we continue to leverage the U.S. platform, even while we continue to slightly invest in our international research operations center in Glasgow. Overall operating expenses are expected to remain relatively stable over Q3 of 2007.

As we continue to invest internationally, the mechanics of our effective tax rate calculation continue to be affected by the amount of income or loss in the U.K., but we do not get an equivalent tax expense or benefit to offset the U.S. corporate tax. This results in an overall blended effective tax rate, which may increase or decrease over the current rate.

Finally, we expect capital expenditures in the fourth quarter of approximately $2 million to $4 million, and we expect capital expenditures in 2007 of approximately $12 million.

In conclusion, core revenue growth remains solid, and we expect to continue earnings growth in the core U.S. business during the last quarter of 2007, and through 2008, along with the ramp up of the investment of our international operations, which will position us for long-term growth opportunities in the U.K and Europe.

Also, we continue to believe the upside exists in the revenue growth of high incremental margins for both current established markets and the new markets we expect to release late this year.

As Andy mentioned, the entire CoStar management team is fully committed to achieving the 30% EBITDA margin in the U.S., and break even in our international operations by the end of '08, as cost structures for the various investments are expected to remain relatively stable as we grow revenue, and significantly leverage earnings.

We look forward to reporting our progress to you, and with that, I'll open it up for calls -- questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions).

Your first question is from Kyle Evans at Stephens, Inc.

in the penetration -- you might have to work harder. You might have to take three steps forward and one step back, but you're still going forward.

Does that answer your question?

Neal Waggoner - *Stephens, Inc. - Analyst*

Yeah, that helps. And I guess, moving on to backlog, it's a little bit lower than maybe we were looking for. Would you expect to see that tick back up next quarter as some of those newer sales reps start to get more productive? And really start to see that hit backlog next quarter?

Andrew Florance - *CoStar Group - President & CEO*

Well, yes. I just -- on the way into this meeting, this earnings call, our VP of Sales mentioned that he was actually pleased with what he's seeing from a number of some of the new reps, who are beginning to post their first material sales.

No question about it. It's very difficult to go out there and double your sales force in a year. It creates a lot of friction, and this is not a sales force all located in Bethesda, Maryland -- they're scattered across 50 states. So it's a real challenge, and getting up to speed will take some time, and getting them all productive. And it's a drag on the managers, and it's a drag on the established sales people who are mentoring these new people.

But we do expect these people to get up to speed, and begin to produce at the same sort of levels the more established people produce at. So I would absolutely like to see some revenue tick up in Q4, and Q1.

And then the -- in addition, you've got that CCIM pent up revenue potential. You've got all those -- you've got 2,350 people who have become quite accustomed over the last several months to using the CoStar product. And when that trial ends, we should be able to convert a number to paying subscribers.

And we did run a similar trial -- I'm not exactly sure, but maybe three years ago. And at the end of the trial period, we did convert a -- well more than 100 of the trial firms into paying subscriptions. So I think we have the opportunity to do the same thing here in the third -- I'm sorry, in the fourth and first quarter.

So we remain very optimistic. We're excited about the business. It's fun to be doing it -- like even though you have a market downturn, it's nice to be completing a big series of investments, and to be seeing the earnings leverage, and we've very optimistic about the sales outlook, despite the fact that we've got a little bit of realism that our product tells us that some owners will lose their buildings.

Neal Waggoner - *Stephens, Inc. - Analyst*

Okay, that's helpful. Thanks, guys.

Operator

Your next question is from John Maietta of Needham & Company.

Neal Waggoner - *Stephens, Inc. - Analyst*

Hey, guys, this is Neal for Kyle.

Andrew Florance - *CoStar Group - President & CEO*

Hi, Neal.

Neal Waggoner - *Stephens, Inc. - Analyst*

Can you guys just talk a little bit about the dynamics of how a possible downturn in the commercial real estate market could impact your business, and your result going forward? And then, what you're doing now in anticipation of that central slowdown?

Andrew Florance - *CoStar Group - President & CEO*

OK, the -- a downturn in market conditions in commercial real estate is not likely to impact our core customer base, or subscriptions from our core customer base. So if you have an established brokerage firm in a given city, with 30 brokers, each bringing in, on average, $500,000 to $1 million income to the firm, or revenue to the firm, in a downturn, that $1 million might drop to $600,000. At that point, the last thing that firm's going to do is cancel their CoStar subscription, to go out and spend four times as much money building an inferior in-house solution.

So we think we've got very strong resilience throughout a downturn with our core customer base. And as a business, we've always focused on signing up those sorts of core customers before we go after some of the more fringe customers like moving companies, telecommunications vendors, and the like.

So our salespeople actually -- since they're compensated on a net growth book of business basis, our salespeople are very focused on the renewal rates of various customer segments, and they tend to pursue high renewal rate segments.

So I think we've got some good resilience out there, and again, I know that you did not cancel your Bloomberg subscription on the day that the market went down 10%. You probably spent more time on your Bloomberg. And in point of fact, as I look at market conditions inside of our product, I think it would be a really good idea if more financial institutions started subscribing to our product sooner.

And so -- now having said all that, there's no question that in a stronger downturn, there will be some fringe element of our -- first of all, as the market moves quickly one way or another, people tend to just pause and see what's going on. And then after that -- but very often, after they figure out where it's going, you begin to move again.

On the fringe, there absolutely could be -- an interior construction firm client of ours, who uses our system for leads, to find new construction projects for interiors. They might go bankrupt, or they may have to severely cut back their budget, in which case we could lose that customer.

However, we've got a large, robust sales force at this point. We have many -- we are early in the cycle. We have many, many, many prospects out there. And so, we can continue to go through those prospects all day long to replace those businesses we lose. And that's what we've done for 20 years, as long as I can recall. There's never been a month that we haven't added more subscribers, or added more revenue net/net.

And I believe that will continue, because we've just opened up all these new investment initiatives. We've got retail, we've got all these new markets, we haven't begun to meet the middle of saturation in the vast majority of our markets. So, you're early

John Maietta - *Needham & Company - Analyst*

Hey, thanks very much. First question I had, Andy, I was wondering if you could comment, with regard to the 165 field rep target that you had talked about last quarter, are we still on track to kind of end at that number by the end of this year, and to have those folks fully ramped at some point next year?

Andrew Florance - *CoStar Group - President & CEO*

Well, we're at -- we started -- we were at 70 last year, we're now at 148. The -- we set two targets to double, and to go to 165. Our math was probably less than precise, because one target was simply higher than the other.

We're not treating the 165 as a magic number. What we're really focused on is, at this point, is taking the people that we have, and getting them up to productivity, getting them on the right page, tweaking the compensation plans, making sure they're aligned with what the situation is in the field.

And we have given instructions to our recruiting teams and our training teams to have smaller average class sizes going forward, and not to be in a particular rush to get to the 165, to get to it in a natural, a little more relaxed pace.

I think, in particular, in the light of some of the market uncertainty, we don't want to rush right up to the mark. I'd like to get the 148 we've got up to a higher productivity level. But I'm sure as we report -- or, I'm confident that as we report upcoming quarters, you'll see the number continue to creep on up.

John Maietta - *Needham & Company - Analyst*

Got you. Okay.

Andrew Florance - *CoStar Group - President & CEO*

And that's not going to -- I'm not trying to hit a headline in Q4 of, we have this number of people on our payroll.

John Maietta - *Needham & Company - Analyst*

Yes, well, that makes sense. And then, with regard to integrating the European platform with the U.S. platform, from a technology perspective, is the technology integration piece progressing as you would have expected? And then maybe, if you can provide us with a little bit of color with regard to maybe some new functionality that we can expect to see maybe over the next 24 months or so, or whatever you think is reasonable.

Andrew Florance - *CoStar Group - President & CEO*

Sure. We are making good progress on it. We have -- I'm not exactly sure of the number, but we have 16 to 20-some phases of release of the technology, where each -- at each phase, we add more and more capabilities of the alpha system, so we can -- we're not waiting 12 months to see something come out.

So we're now at the phase -- or, we're approaching the phase, I believe this month, where you can actually search in French, English, American, multiple currencies, and get result sets, and see full screens in the appropriate layout and format.

So it's making very good progress. We've got a very significant percentage of our sales force -- I'm sorry, our development team -- working on it. And it is -- the other thing we've tried to design here is to make it a real time system. We're trying to move away

from having large centralized servers that would introduce latency into global systems. So if you've got customers accessing from both San Diego and Washington, Edinborough, or from Hong Kong, you wouldn't want to have all your servers in Bethesda, Maryland.

So we're shifting into a local/local technology platform, so we can scatter out 20 servers around the world, and the customers go to the fastest path. We're also using Ajax technologies, a couple other -- we're basically rewriting the platform from the ground up, into next generation technology. So the speed in the new platform is phenomenal.

You can go into the platform and type in CB Richard Ellis, and in .03 seconds, every CB Richard Ellis listing -- you know, tens of thousands of listings in the United Kingdom and in the U.S., pop up on your screen. And we think we can accelerate screen to screen times dramatically, which will basically, simply, dramatically -- would enhance the customer experience, that they preview 10 buildings, or 15 buildings. It would just move very smoothly, faster than most Internet applications you're used to seeing.

There will be a number of major feature enhancements over the course of this project. And I don't want to talk about them all, because some of them, I think, are fairly proprietary for competitive reasons. But there are probably about a dozen feature enhancements we'll be doing.

But when you're looking at what's available in Europe today, in information solutions to the commercial property people over there, what we have in the United States today is a full generation, or two generations ahead of what any competitor has got in the United Kingdom, and it's a full generation or more ahead of what our acquired companies provide in the United Kingdom.

So when we bring the next generation U.S. product into Europe in '08, we will be three generations ahead of what's out there. That, coupled with our research initiatives, I think, will give us an absolutely compelling product offering in Europe, as well as a very thoughtful, well paced upgrade to what we've got in the United States.

John Maietta - *Needham & Company - Analyst*

Great. Thanks very much.

Andrew Florance - *CoStar Group - President & CEO*

Thank you.

Brian Radecki - *CoStar Group - CFO*

Thanks, John.

Operator

The next question is from John Neff of William Blair.

John Neff - *William Blair & Company - Analyst*

Hey, guys -- good morning.

Andrew Florance - *CoStar Group - President & CEO*

[Neese] to talk to you.

John Neff - *William Blair & Company - Analyst*

There you go.

Brian Radecki - *CoStar Group - CFO*

Nice cash balances, too.

John Neff - *William Blair & Company - Analyst*

The -- let's see. On some of the revenue items there, you mentioned consulting fees in France. And my understanding what -- was that essentially with the Grecam acquisition, and do they have a consulting business? I only thought of it as a database.

Andrew Florance - *CoStar Group - President & CEO*

Well, actually, the majority of the revenues actually using the proprietary database they have to do consulting work. And the majority of that revenue, I think, comes in on the fourth quarter, so it's very cyclical.

Brian Radecki - *CoStar Group - CFO*

Correct.

Andrew Florance - *CoStar Group - President & CEO*

And everyone on this phone call knows that the majority of France's GDP is not produced in August.

John Neff - *William Blair & Company - Analyst*

Great. Okay. And then the -- I was wondering if you could -- just a couple of statistical things.

What was the retail product, or retail oriented annual subscription value at quarter end, as well as the 21, quote/unquote, new markets are becoming not so new anymore, but -- give us an update on those?

Brian Radecki - *CoStar Group - CFO*

The 21 markets, I believe we're at about $1.5 million last quarter. They're growing at about double the overall CoStar rate, so they're probably approaching -- I don't have the exact number -- $1.6 million. And I believe last quarter, the EBITDA margin was at 40%, and that's creeping up two, three percentage points to 43%.

Andrew Florance - *CoStar Group - President & CEO*

So those are still doing very well, like I said, probably growing at about double the overall rate.

Brian Radecki - *CoStar Group - CFO*

I don't have the retail one in front of me, but I can get that to you.

Andrew Florance - *CoStar Group - President & CEO*

We did --

John Neff - *William Blair & Company - Analyst*

I'm sorry, what --

Andrew Florance - *CoStar Group - President & CEO*

The retail number did continue to climb, we had some good winds. And I don't have a lot of color right here on that, but there were some good winds, and there was one today. A major owner signed up today on the retail side, on a $70,000 annual contract.

So we -- it continues to make good progress. And then another thing on that retail front is we are -- we have a new retail software application that we're release -- we're putting into beta -- I believe it's gone out, or at least, it's on my machine. And what it does, it's going to be right in the sweet spot of what the larger retail owners and the larger shopping center retailers have been looking for, like the J Crews, and the Neiman Marcuses, and the Saks, and that sort of folks.

What it does is, it consolidates all the individual buildings in a shopping center into shopping center views, so you can actually search for a shopping center as clusters of buildings, analyze them as clusters of buildings, and you can also search for the individual buildings that comprise a shopping center, see how they buy and sell, and are available on an individual level. I'm sure it doesn't mean a lot to people, but it is a -- it was a very, very complicated thing to do from a technology database standpoint for us, and we worked on it for almost a year. And we're releasing that to the customer base in November, along with a new home page.

So that will -- I think, will be very responsive to what people have told us, and put us in a good position to keep moving that retail number along.

John Maietta - *Needham & Company - Analyst*

Okay. All right, and then on the -- a quick couple of things on the CCIM deal. How long was that trial period? I think you mentioned it might be coming to an end in the next couple of months. And are the 23 -- 2,350 -- are those individuals, or are those firms?

Andrew Florance - *CoStar Group - President & CEO*

Those are individuals. Those are individuals, and they tend to be a couple people at a firm here, a couple of people at a firm there. The -- it really runs to the end of this year. We can end it sooner, we can end it later. We're working with CCIM to try to find ways to work on going with them. I, frankly, don't know one way or another whether or not we'll have formal, sort of, vending relationships with CCIM ongoing, and our primary goal really is to introduce our product, particularly in the new markets, to CCIM members through this trial period, which I think we're doing successfully.

Did that answer all your questions on that, or was there something I missed?

John Maietta - *Needham & Company - Analyst*

No, no, I think that's pretty much it. And last question, and I'll get back. The Showcase product that you mentioned -- how is that different from commercial MLS?

Andrew Florance - *CoStar Group - President & CEO*

It's very, very different, and it's one of these things that isn't immediately obvious to everybody.

Commercial MLS is our lowest end information product. So it -- it is only properties for sale, and it's not even all the information about the properties that are for sale. So it's -- of all of our different cuts of information products, where the subscriber is paying to get access to information the way an investor institution subscribes to Bloomberg for information, commercial MLS is the lowest end product we offer on the information side.

Showcase -- and I would say that CoStar Group, while we perform probably the most important marketing function for free to the commercial real estate industry, so in other words, today, I think 98% of the Fortune 500 use a CoStar client to find space. So we're a critical marketing function. We have never charged for that. We do sell advertising, so that you're -- within CoStar Property Professional, you pay us an extra amount of money, your listing will come to the top of the list inside the Professional product.

We are largely a broker-oriented system. We facilitate brokers working with brokers, brokers working with big owners. We're a broker information system, historically, with a little capital I for information, a little M for marketing, and free.

Showcase becomes the first marketing service product for communicating your listings efficiently to a general Internet audience. And that is LoopNet's primary value proposition, in my mind. So basically, in my mind, most people subscribe to LoopNet so that they can market, typically, a lower end product to a general tenant, or principal audience. And very often, I think, LoopNet may be used as a way for a principal or an owner looking to avoid paying commission to market directly to tenants and other principals.

Showcase will be a product where we'll probably limit the people that are participating and to real estate professionals. But it will be -- you'll pay a per unit, or a monthly fee, to market your listings over the Internet to the general public.

And we'll keep the product price competitive, and so when someone -- when John Q. Public, or the dentist, is looking for a new medical office of 500 square feet, and they go to Google, and they type in dental offices, into Google, up will pop various medical spaces from a CoStar website with pictures, floor plans and rates, and like that. And each one of those listings will have been paid for to be marketed.

So CoStar Property Professional is an information system, like a Bloomberg terminal, and Showcase is a marketing service, sort of a click aggregation marketing service for commercial listings, similar to a LoopNet.

John Maietta - *Needham & Company - Analyst*

And so, the person paying you, in this case, would be the lister of the property?

Andrew Florance - *CoStar Group - President & CEO*

Correct. So I am a broker, and I have five listings. I could pay $19, and I've got five office listings in Bethesda, Maryland, and I pay CoStar Group -- I already have my five listings in CoStar Property Professional for all the professional community to see, and I didn't pay anything to do that. And I may or may not be a CoStar subscriber.

But then I pay CoStar Group $19 a month, and I -- to make sure that when someone goes to Google or Yahoo! or MSN and types in office space in Bethesda, that my five office listings for Bethesda will be on the first page of the result set from a Google, Yahoo! or MSN search for office space in Bethesda.

And your target audience is not brokers, because brokers are using CoStar Property Professional. Your target audience is the smaller space tenant that might be looking directly, and may not be able to get the interest of a broker to represent them.

John Maietta - *Needham & Company - Analyst*

Okay, so it is not -- so who -- you're going to use the search engines for, sort of, to draw the audience in. But where are they being drawn to? Is it a CoStar website?

Andrew Florance - *CoStar Group - President & CEO*

They're being drawn to a CoStar website that is -- like, one of the advantages is, where various competing sites require you to log in, register, do a lot of different things, you'll be able to go right into listings. Really nice layouts, you won't have to register, you won't have to sign up, you won't have to pay. You just go right in and you'll be able to see listings.

So if you want to go look for -- consider various cars that you might buy, you normally don't have logins. Before -- you don't have to log into the Toyota site to learn about the Prius.

This will be sort of -- this is a pure marketing site. It's just presentation of listings directly off of a search engine hit. So it would be right off of CoStar's site.

John Maietta - *Needham & Company - Analyst*

All right. Thank you.

Andrew Florance - *CoStar Group - President & CEO*

And I think it will become much clearer to you what it is after you see it, and after it's out there for a quarter or so. But it's really a distinction between marketing to an Internet audience, general Internet audience, versus professional to professional marketing inside of an information system.

John Maietta - *Needham & Company - Analyst*

Thank you.

Andrew Florance - *CoStar Group - President & CEO*

Thank you, John.

Operator

Your next question is from Chris Little of Morgan Stanley.

Andrew Florance - *CoStar Group - President & CEO*

Hello, Chris.

Chris Little - *Morgan Stanley - Analyst*

Hi -- thanks, guys. Thanks for the more information you've given this time around. It's been helpful.

I've just kind of gone over the math. If -- even if I assume 3% sequential revenue growth through the end of '08, and 30% EBITDA margins in the U.S. core business, and breakeven in Europe, you basically get to a $60 million EBITDA run rate by the fourth quarter of '08. And I see consensus for '09 at less than $50 million.

So can you tell me where -- am I doing something wrong in the math, or what could possibly -- you know, I see, because the U.S. business looks like it did around 4% sequential growth in the quarter, your sales force is expanding. What am I missing?

And then just as a follow-up -- two follow-up questions to that. Given that you are going to be at that type of run rate of cash flow, you've got $150 million of cash on the balance sheet. What's the point of having all of that cash, especially one year or two years from now, when you're solidly free cash flow positive, and how do you see the capital structure evolving?

And then the last follow-up question, and then I'll get off, because I know I've been long winded. But the agreement with CB Ellis -- is there any way they can dramatically draw down the number of seats if we went into a big commercial downturn? Do they have that flexibility in the agreement?

Thanks, guys.

Brian Radecki - *CoStar Group - CFO*

Hey, Chris, it's Brian Radecki. I'll answer the first part, and let Andy answer the second two.

First, I can come over to your office, and I'll check your Excel model for you, make sure that you --

Chris Little - *Morgan Stanley - Analyst*

I need help.

Brian Radecki - *CoStar Group - CFO*

--make sure you've got everything in there. But just from what you described, it sounds like you're doing the math correctly. Obviously, we haven't put out specific 2008 guidance yet, but I believe, by Andy and I setting these targets out there, it makes it extremely easy for everybody to update their models and come up with something that's reasonable for 2008.

We will, obviously, issue 2008 specific guidance next quarter, but I do believe that. So I can't speak for any of the analysts, they all run their own models, but I'm hoping that after this, a little bit more clear cut guidance, that they will be in the right place.

Chris Little - *Morgan Stanley - Analyst*

Great.

Andrew Florance - *CoStar Group - President & CEO*

And Chris, I -- your ability to do math is why I am excited about the earnings leverage in the business.

Chris Little - *Morgan Stanley - Analyst*

Well, I hope it doesn't count on my abilities, but that's okay.

Andrew Florance - *CoStar Group - President & CEO*

No, no -- I think we'll be okay. So the -- on the cash balance side, you're right. The cash balances are growing. It's one of the better problems to have. And as we continue to show earnings leverage in the coming quarters, we look forward to putting in front of our board on their agenda the discussion of some larger acquisition opportunities, or share buyback, or paying a dividend.

So we -- the issue is there, and we think the timing is probably '08 to evaluate these. I do think that there are -- we don't want to foreclose the possibility that there could be some larger acquisitions in which you would want to have those sorts of cash balances available to you.

But the three -- the share buyback, the dividend, or the larger scale acquisitions, will be -- we hope -- on our board's agenda in coming board meetings.

Chris Little - *Morgan Stanley - Analyst*

I guess, just to kind of go back and forth on this, though. The deals you have done up to this point have been deals that have been basically taken care of by just general cash generation by the business. And those deals have been kind of both U.S., and more primarily, international.

Are there any deals out there that could potentially take up the cash, and then just from a larger standpoint, as we look out longer term, two years, there's still the same issue, which is, you've got a huge cash generation business with no net debt, and a business that probably should have some debt on it, to enhance returns to us and you.

So I guess -- am I looking at it correctly? I understand you want to keep your [power drive] for deals, but longer term, this is a type of business where you're going to be constantly looking at dividends, share repurchase, acquisitions, and then it's just a matter of picking which ones are the best for returns for us.

Andrew Florance - *CoStar Group - President & CEO*

You are looking at the business the right way. I do believe we have a track record -- I guess we've done 20 acquisitions. Very often, those acquisitions are -- we just do those acquisitions with cash, and it doesn't prevent our cash balances from growing quarter over quarter as we do these smaller deals.

I do believe that -- I do believe that where we are in the business, with the maturation of the management team -- the management team's ability to handle operations, I believe that there could be some domestic -- there is a possibility of doing some domestic acquisitions that are larger, at the scale of the COMPS acquisition we did, or larger.

And so we want to -- don't want to be shedding cash immediately, and -- but beyond that, even if that were to occur, we would still be looking forward to the ability to pay dividends or do share buybacks post doing something like that.

So you're looking at the business the right way -- it's just a question of timing.

Chris Little - *Morgan Stanley - Analyst*

Okay, and then that --

Andrew Florance - *CoStar Group - President & CEO*

It is really the first time it will go on the board agenda as a serious issue at upcoming meetings.

Chris Little - *Morgan Stanley - Analyst*

Great. Hopefully we can spend our time talking about that, as opposed to whether you grew 4% or 3.8% sequentially.

Andrew Florance - *CoStar Group - President & CEO*

Well, I'm not embarrassed to be in a position talking about the earnings leverage, as opposed to other things.

Chris Little - *Morgan Stanley - Analyst*

And then the final question was CB Ellis.

Andrew Florance - *CoStar Group - President & CEO*

The CB, right. So under the agreement with CB Richard Ellis, both parties have the ability to reset the contract values based upon either CB acquiring companies, or CB growing personnel. So at various points in the different places, CoStar could receive a higher compensation from CB Richard Ellis, because they add additional companies and because they add additional players.

At the same time, if CB were to reduce their headcount dramatically, they would have the ability at certain periods to reduce their fees.

Now, when you look at who CB Richard Ellis is today, I think they've become an amazing company. And I know that when you look at their brokerage operations, they've gone towards a strategy of not having a million mid-level brokers. They've gone towards having a strategy of having several thousand top, top, top producers.

So the kind of people they have in their ranks -- you know, they've got people who are bringing in $10 million a year in fees. These are not people that leave CB and go sell cars because they went from $10 million down to $8 million. So I would be surprised to see CB start shedding material numbers of brokers.

However, they do have the ability to reduce fees should they start doing that in any sort of large level. And again, CB has got a lot of business. I think CB will do a lot of business over the next three years, where people are building large, class A buildings that will come to market with very little pre-leasing, and the investors in those properties may be disappointed. But they will have premium properties that are vacant, and they will be able to -- they, or the next owner, will be able to set a price at a level that pulls tenants out of the B quality buildings, and the brokers will earn a commission, moving them from the B building to the C building, even though the rent doesn't go up, or even goes down from the B building origin to the A building target.

Once the B buildings empty out, then the brokers will go and they'll take the tenants out of the C buildings, and they will move them into the B buildings at a comparable or lower rent. So you get -- some of the owners may be squealing in pain, but the brokers make money with a multi-billion dollar, hundreds of billion-dollar game of musical chairs.

Chris Little - *Morgan Stanley - Analyst*

I see.

Andrew Florance - *CoStar Group - President & CEO*

So I think CB's got that revenue ahead of them.

Chris Little - *Morgan Stanley - Analyst*

Great, and would you expect to be doing similar deals like this with the remaining big commercial real estate broker players?

Andrew Florance - *CoStar Group - President & CEO*

I would love to.

Chris Little - *Morgan Stanley - Analyst*

Are you presently working with them on trying to get that done, or --

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Andrew Florance - *CoStar Group - President & CEO*

Probably.

Chris Little - *Morgan Stanley - Analyst*

Thank you very much.

Andrew Florance - *CoStar Group - President & CEO*

Thank you.

Operator

(Operator instructions). Your next question is from Cynthia Reuben of JMP Securities.

Cynthia Reuben - *JMP Securities - Analyst*

Good morning. I just had a couple quick questions on pricing.

Andrew Florance - *CoStar Group - President & CEO*

Good morning, Cynthia.

Cynthia Reuben - *JMP Securities - Analyst*

Good morning. On Showcase, I was just wondering, I thought I heard you mention five listings for $19.95. Was that just something you threw out there, or is that going to be the pricing model?

Brian Radecki - *CoStar Group - CFO*

Well, we haven't finalized pricing models for that new product, but that could be reasonable.

Cynthia Reuben - *JMP Securities - Analyst*

Okay, and to clarify on Showcase, I thought you mentioned something about it would be used primarily for people who are already are using CoStar to market to a different audience? Do you anticipate also having users that don't use CoStar currently?

Andrew Florance - *CoStar Group - President & CEO*

Absolutely. It would be to that segment of the audience that finds value in marketing their particular listing to a non-professional audience to a general Internet audience. So that would be both our existing customers -- a lot of our existing customers -- and then new customers. It could absolutely be a situation, and remember that we -- you know, 90% of the top 500 brokerage offices in the United States may subscribe to CoStar, but -- and maybe 50%, and I don't -- these numbers aren't (inaudible), 10%, it could be 50% of the top 2,000.

But all -- almost all of the top 2,000 give us listing information today, and so this probably would be more oriented toward the 80,000 plus firms that are giving us information, the majority of whom are not our customers, will be saying, hey, it's free to go to the professionals with your listing. If you want to pay us a small fee, we'll take your listing out to a general Internet public.

So it will be for the whole world. And I wouldn't be surprised if -- by counts, most of the people who are taking advantage of Showcase weren't subscribers to the information system.

Cynthia Reuben - *JMP Securities - Analyst*

And then lastly, I was just wondering if you have any plans to increase pricing on the CoStar properties?

Andrew Florance - *CoStar Group - President & CEO*

I -- you know, there is -- it's always a good idea to be evaluating, have various who have grown over the years, and make sure that the pricing is fair, relative to how they've grown, and how -- what other like sized firms are paying. So we will be doing, and are doing, a more targeted price increase, adding seats to customers and the like.

But I think that in a time of a softening market, when there's anxiety in the brokerage firms, I think it would be a horrible idea to do large, across the board price increases.

Cynthia Reuben - *JMP Securities - Analyst*

Thanks, then. Okay, thank you.

Operator

At this time, we have no further questions. Gentlemen, are there any closing remarks?

Andrew Florance - *CoStar Group - President & CEO*

I would just like to thank everyone for joining us for this third quarter conference call, and look forward to updating you on year end results next.

Brian Radecki - *CoStar Group - CFO*

Thank you.

Operator

Thank you for participating in today's CoStar Group conference call. This call will be available for replay beginning at 2:30 p.m. Eastern time today, through 11:59 p.m. Eastern on Thursday, November 8, 2007. The conference ID number for the replay is 20100647. Again, the conference ID number for the replay is 20100647. The number to call for the replay is 1-800-642-1687, or 706-645-9291.

Thank you for your participation. You may now disconnect.

Exhibit 2

LoopNet, Inc.
The Seventh Annual JMP Securities Research Conference
May 20, 2008

<<Unidentified>>

All right. We're getting the clock reset here for our purposes, but I will go and get the presentation started. We are happy to have here at the JMP's conference again this year LoopNet. LoopNet is the leading online real estate marketplace where buyers and sellers as well as lessees and lessors can meet and transact. It also provides a great data source and data tool for users as well as they look for information on the marketplace. The company has been very successful, very high margin business. And we think a very attractively positioned company in a unique space. We are happy to have here with us to speak this year the company's CEO, Rich Boyle. Let me turn over to Rich.

<<Richard Boyle, Chief Executive Officer and Chairman of the Board>>

Thanks, Jim, and good morning everyone. I'm Rich Boyle, Chairman and CEO of LoopNet. So we're going to go through probably about 15 minutes of quick prepared remarks about the company and then opening up for Q&A, and I'll try to be brief. Give you a moment to digest our Safe Harbor statement.

So as Jim said, we are an online marketplace serving the commercial real estate industry. Basically this is an industry that still primarily operates in the offline world for its marketing and searching means. So marketing is done by things like signs on buildings or print brochures or newspaper ads, searching is also in a very disaggregated and fragmented offline manner. What we are trying to do is aggregate the supply that's in the market. So these are currently available properties aggregate the demand that's in the market, people looking for buildings to buy or looking for space to let, and create an online means by which the two can find each other more efficiently than they can in the offline world, basically helping to facilitate a more efficient transaction.

A couple of things about industry background that are important to understand in terms of contacts of understanding our business. When people think commercial real estate, they meant to limit that's formed of sort of the high-rise class A office building like the MetLife building in New York. And this is from an active listing. It's an agent marketing space for lease. We do great business and we serve this segment of the industry very, very well. But on a units basis, it's a small fraction of the overall industry. Our definition of commercial real estate is literally anything that is not a single family home. So it's hundreds of thousands of little small single-tenant properties, duplex apartment buildings, this kind of stuff.

A great example is this little 5,000 square foot office/retail property in Omaha, Nebraska. And the transaction volume in the industry on a units basis is dominated with these small properties. Just to give you a sense of it. Median asking price of a for-sale property on LoopNet is little under $1 million. Again, it's hundreds of thousands of relatively small

properties. And our business model as an online marketplace leveraging basically a user generated content model to aggregate the listing supply really lets us scale to serve that entire industry.

The other piece of background that's very important to understand about the commercial real estate industry is there is no multiple listing service. In the residential real estate industry, the multiple listing service has done – it's been around for decades. It's done a very effective job of aggregating the supply side content in the market. It probably has in excess 95% market share of available single family homes for sale. There is no analog in the commercial space. There is no multiple listing service. So in our world, we are having to aggregate the supply side for the first time, move it into the online world and aggregate the demand side that people looking for buildings to buy and space to let.

So now a couple of words about how we make our money. The core marketplace is really the foundation of everything we do. We give away a limited functionality version of it for free, and I'll explain in a little bit more detail just briefly next how the model works. The paid service there is called Premium Membership, which accounts for about 76% of our revenue. So I'll cover that in a couple of slides upcoming next.

But before that, the other 24% of revenue, there is really four services. LoopLink in REApplications, which is a business we just acquired about three weeks ago, are basically software-as-a-service offerings that help a commercial real estate brokerage firm manage its own information and manage its operations and listings. We view these as tools to help grow the supply side content in our marketplace, get more listings on the system.

RecentSales is a database of past sale transactions that we build as a for-sale listing comes down from the service, we find our what happened and sell over the closing price and offer that information back as a incremental $30 per month per user subscription service. BizBuySell is a business we acquired a couple of years ago. It's a marketplace of operating businesses for sale. And again, big long tail here. So it's like a restaurant property or the owner wants to sell the business, or perhaps we have to rehash without the building depending on whether they own it or not.

And then the advertising portion of our business is basically related service providers, so like a mortgage broker or a furniture rental company advertising office furniture for rent in front of tenants that are searching on LoopNet. It's a very small piece of the business today. So we think as the marketplace gets scaled, we will be a bigger portion going forward. Each of those four is less than 10% of revenue. In aggregate, again, 24% of revenue.

So now let me talk a little bit about Premium Membership, which is really the core business. So Premium Membership is – the way our model works is you can use the marketplace for free with limited functionality. You can market as many properties as you want for as you want for free and you can search as often as you want for as many as

you want for free. If you become a paid premium member, you get enhanced exposure on the marketing side, enhanced information on the searching side.

And fundamentally the way it works is, if you are a free searcher, you get access to partial information about the listings database and some of the professional tools that we offer. And if you become a paid premium member as a searcher, price is $50 per user per month, you get greatly enhanced access to information, more listings data and a whole professional toolset mapping and reporting and other things to help you generate information about what's going on in the market. And really what it is targeted to is the free searching services for the non-professionals in the market. For example, a tenant looking for office space for lease, we would expect to be a free searcher on our system. And the paid subscription service is targeted to professionals in the market as a tenant rep agent is a full time professional searcher.

On the listing or marketing side of the marketplace, it works similarly. You can put a listing on to LoopNet for free. You can have as many free listings as you want. You can leave them on as long as you want. You have limited marketing exposure if you do that. If you become a paid premium member and the starting price is $89 per user per month, that's for up to four active listings. Basically what it gives you is priority placement in the search results, a broader audience, people who can see it, that translates at the end of the day to about three times as much marketing exposure on a per-listing basis on average.

And then we are also doing – an increasing part of our business is optional, what we call, per listing up-sells. And so what this is, is if you are an agent marketing a property, you can pay an incremental fee. The average right now runs about $40 per listing per month. And what it does is it guarantees you the very top slots in the LoopNet search results page and also syndicates your listing out through a newspaper distribution network of about 120 online partners like the WallStreetJournal.com, the New York Times website, the LA Times website, the Boston Globe website. So it's basically this distribution network to give you the maximum marketing exposure for your property for an incremental up-sell.

So we ended Q1 with about 88,000 paying subscribers to those services. The average monthly revenue per user was about $59 per user per month. And again that product accounts for roughly 76% of our revenue. So this is basically our view of the competition.

This is an ad that ran in the San Francisco Chronicle a few months ago for an investment property for sale down in Cupertino, now where I live. And if you are in the real estate business, you can kind of get a sense that that's an advertisement for an investment property for sale. To run that ad in the Chronicle would cost you about $1,900 a month. Their price is $445 a week to run a three-line classified ad like that. This is the exact same property being marketed on LoopNet by the exact same commercial real estate agent. It's a dramatically different set of marketing information that we're able to convey about the property. We deliver to them a better marketing audience than they get in any other venue. Because it's happening online, it's all directly measurable. This agent can

see exactly how many leads we deliver to them, exactly how many profile of user's property received. And the last time I checked, this agent had I think four active listings. So each paying us about $22 per listing per month to market those properties on LoopNet. So the value proposition as compared to the offline world is dramatically different.

So this slide – I know there is a lot going on here, I probably need to visually clean it up. But I just wanted to make a couple of quick points of some strategic things we've done recently on an M&A front. So on the right hand side of this slide, you see the online partners we have, the newspaper network that I talked about earlier. We basically acquired that in the acquisition of the company called Cityfeet last August. They had about 110 of those partners themselves. We had some – we brought the table and we've grown the base since then.

On the left hand side, REApplications is a business that we just announced the acquisition of about two weeks ago – actually about 3.5 weeks ago. And basically what we are doing here is trying to put in place a solution where the commercial real estate agents can use us to manage the entire lifecycle of the marketing of the property. So REApplications is a software-as-a-service business, runs the back-office of a commercial real estate brokerage firm, allows them to manage their proprietary in-house information, their listings that they are working on, the projects that they are currently marketing, their customer relationships that they have for those properties that they are marketing.

And then where we are going with this is, with a single button push, be able to run their online marketing campaign, syndicate those listings to the LoopNet marketplace and out through our distribution network to the newspaper partners or on to the major Internet search portals like Google and Yahoo!, and to our LoopLink service on to their own website – we power well over 1,000 websites with our LoopLink service as well. But the idea being provide the back-office software to let the commercial real estate agent really manage the project, hide seamlessly into our online distribution, in our online marketing platform for their marketing exposure. And again, the two sides of this we just acquired over the course of the last eight months or so.

So on the next couple of slides, very quickly we'll talk about some of our recent operating and financial results and then we'll open it up for Q&A. So there is really three key operating metrics that we talk about publicly to report the ongoing growth and the activity in our marketplace. The registered user base is how many people who have come on and signed to use the LoopNet service, this is inclusive obviously of all the free users as well, just under 2.8 million at the end of Q1, which is high 30% year-over-year growth.

Total available listings, just about 650,000 active listings as of the end of the quarter. It's roughly about 50,000 in the business for sale platform and about 600,000 in the commercial real estate platform. And those split pretty much equally between investment properties for sale and buildings or space for lease. And that is about 24% year-over-year growth rate. And then the demand side aggregation is basically the purest measure of

demand and something that we can actively monitor and measure and report back to the agents using our system is what we call a profile view. And a profile view is when somebody searching on LoopNet calls up and looks at the full page property ad for one of the listings on LoopNet. That happened 44 million times during Q1. So it's a very active and liquid marketplace.

This slide creates a good opportunity for me to touch briefly on market conditions. As you can see, Q4 of last year was a weak profile view or weak demand side activity, relatively speaking. It only was about 35 million profile views during the quarter. There is a little seasonality in our business, but this was abnormal. And basically what happened starting in September of last year, as the credit crunch hit and then froze up the debt markets, the investment sales side of our business on the searching audience portion, people looking for buildings to buy, hasn't been impacted by that.

It's impacted the growth rate in terms of people coming on the platform to do that. It's impacted their per capita activity, so the profile views that they generate because they are not as interested in buying, and it's impacted our subscription sales rate. People are not buying our subscriptions as much and are canceling more frequently if they are not interested in buying a building. And the reason that they are not interested in buying a building right now is they can't get a loan. So that debt market disruption has definitely been impacting our business. That said, we've been growing right through it.

The overall revenue growth last year, last quarter was 30% roughly on a year-over-year basis. Fantastic margins in the business that I'll talk about next. So, 20.6 million in revenue during the quarter, again a little over 30% topline growth on a year-over-year basis. And we have a subscription revenue model, so it gives us fantastic sort of stable, forward visibility in terms of being able to look out and forecast the business. And as Jim mentioned, it's a nice business from a profitability point of view.

We generated about $9.6 million in adjusted EBITDA last quarter, which is also little over 30% year-over-year growth. And the adjusted EBITDA margin was about 46.6%, which is right in the range of what we've said publicly as our management goal as to manage the business to an adjusted EBITDA target in the mid-to-high 40% range. So last quarter it came at about 46.6%. This is basically a quick snapshot of the income statement business model view.

And those are some of the key points I wanted to make. And so I think at this point Jim will open it up for questions.

Q&A

<Q>: Why don't I start it off? When you started by obviously noting the structure and the free listing side, I think one interesting question of your thoughts are, when a free is partial usership or either listing or viewing, how partial is partial? And if you made it even more partial, would it therefore enhance the value of the premium subscription and possibly even drive more business? And how do you think about that?

<A - Richard Boyle>: Yes. So a core underlying principle -- and I know it sometimes sounds confusing when you are exposed to it for the first time. But one way to think about how our model works is that free cannot find free. And so simple way to explain that would be, if you put your listing on for free, everybody who is searching knows that your listing is there and can see it come up in our search results page. And they know that it masked the search criteria they put into our search engine, but they can't get the details of the listing. And in particular, they can't get your contact information and contact you if you are a free searcher. The paid searchers can, but the free searchers cannot. So what we're doing there is we use the free service primarily as a means to aggregate market activity. We think we have a long way to go in terms of bringing the industry online, getting both the marketing and searching activity online. And the free service gives us a very low barrier way of accomplishing that. We can go to an agent who is in the market, who is currently in the offline world and say, just put it on the net for free, we're going to start to deliver marketing exposure for you. The marketing ROI is effectively infinity because we're not charging you anything to do it. Every lead we give you is just free. So that's a great sort of entry point into the marketplace. We do have an ability affect what we call the functional gap between the free and the paid services. We have over time -- if you go all the way back to 2001 before we relaunched this business model, the prior business model was entirely free. And so we did disrupt that in terms of this current incarnation of the model. We have from time to time taken away functionality from the paid service, limited the exposure the people get on the marketing service, limited the access you have on the searching service to sort of increase the gap between the two. We tend to more often do it in a positive sense, meaning, we add functionality to the marketing platform or add functionality to the searching platform as a way of driving more people on to the paid service. But we have in the past changed it and we may in the past change it again, and absolutely it does affect it, the ultimate theoretical way to do away with the free service, which we could theoretically do. We have no intention of doing that because we think it's a critical piece of how we build momentum and build activity in the marketplace.

<Q>: Maybe another question. On the knowledge you've adjusted pricing obviously starting with listers moving to 89, 95 minimum, with the additional listing – obviously part of that function of market conditions, how much impact is the – let's call the average another $40 a month for listings above five. Is that potentially very lucrative? Are there lot of people that meet that criteria, that's accelerating or --?

<A - Richard Boyle>: There is definitely a substantial volume in the industry overall in the offline world than that we think is reflected on our platform, professional agents who have more than four listings active on average. And so we definitely think there is a big opportunity for us to continue to sort of bring them into the online world, help them understand the positive ROI that comes from marketing online. The key to us is really putting in a position where the agents are thinking in terms of online marketing and they are thinking in terms of the ROI for their marketing dollars. And they are not right now. The bottom line is the commercial real estate agency community does not think in terms of allocating marketing dollars online by and large. They do not think about calculating

the actual ROI in their marketing spend. And they definitely are not in a position what they are doing is sort of comparing side by side their different marketing channels and which gives them the best ROI. What we are doing with our pricing model that Jim was referring to is, moving to more of a volume based pricing model where the fee that you pay us aligns with how many active listings you have and moving it basically to a position where it's up to the agent. The agents can put listings on for free. They can then choose how many of those they want to be a paid lister for, and it's entirely up to them. And as they allocate more marketing dollars to us, they are going to get back from us more marketing leads. And basically the long-term goal there is to get them in a mindset what they are thinking in terms of the positive ROI and marketing dollars, much like, for example, we do when we buy as links with Google. As long as you are getting a positive ROI in that marketing spend, you should allocate more to that marketing channel. So we think there is a lot of leverage in our business over time as the commercial real estate agency community comes online and begins to think about allocating those marketing dollars online. They are in the very early stage of that.

<Q>: [Low Audio]

<A - Richard Boyle>: I guess you have to ask them. The question is, how are things going with CoStar. I don't really follow their business, so I'm not sure. I'm sure there is a more specific point to that question.

<Q>: [Low Audio]

<A - Richard Boyle>: Yes. So CoStar – we have a product that's called Showcase, so there is a bit of marketing confusion on this. CoStar Group is a company that we occasionally compete with kind of on the periphery of our business a little bit, have announced a marketing platform that they are calling Showcase. They talked about the investment community for probably six, seven months. It just went live I think on their website. We've heard from some customers in the last maybe 1.5 week or so. So, too early to look at it as impacting our business. I think what they are trying to do is build the marketing platform. And I think the key challenge for them is they have no marketing audience. And so for them to go to somebody and say, give me dollars and I'll expose your listing to a marketing audience. I think the first thing they will have to do is start to invest and build a marketing audience, which is as we found over the past decade, it's a substantial effort in time and money to build that. And so I think that will be the biggest challenge for them. But it definitely hasn't impacted our business yet just because it's so new. Sorry, one back there.

<Q>: [Low Audio]

<A - Richard Boyle>: Yes. So the question was, talk a little bit more about the market segmentation, big buildings versus small buildings. Our sweet spot is really the long tail of small properties. And we think that's a market that is incredibly inefficient. We think it's a market that is largely underserved in terms of the way that you would think about marketing and searching for deals in that universe. We think it's a market segment that's

uniquely suited to our user generated content model. Providers in the industry have tried to build information about properties and availabilities by doing research and driving trucks out and gathering information about the market. And at the long tail of small properties, we just think it's uneconomic to do that. And so if you look at it, probably sub 5% of our business is at the high end institutional grade stuff. It's very much this long tail of small properties. Again, the sub-million dollar asking price on an investment property would be the average that you would see on LoopNet. It's a --

<Q>: How big a market is that?

<A - Richard Boyle>: How big is it? We think that there is in the three core categories we address, which are commercial properties for sale, spaces for lease, and small businesses for sale, we think there is in excess of 6 million actively listed offerings every calendar year. We have at the moment about 650,000 active listings at the end of last quarter.

<Q>: Maybe as a follow-up to that, now at this point, which I think has been I guess a pretty big shift or acceleration of the balance of leasing versus for sale out of that 600,000 that are commercial property, is there anything meaningful about usership trends or renewal rates and those that are out there on a day-to-day basis leasing properties, which is generally a much more consistent day-to-day business compared to those that are in listings properties for sale that's a kind of generally a lumpier business?

<A - Richard Boyle>: Yes. And I think that's been reflected in our business since September. Or still, if you look at the overall listing space, we are still roughly 50/50 between properties for sale and spaces for lease. It's the demand side that's really changed I think much more dramatically. So if you think about our business, it's kind of this 2X2 matrix of people marketing, people searching and then the investment sale side versus the for lease side. People searching for investment properties to buy has been a weak market segment, or encountering headwinds there has been impacting our growth, et cetera. On the leasing side of the market, we really haven't seen much. I think there has been a little bit of softening in a few sectors, but by and large it's still a fairly active and still seemingly fairly healthy market. The investment sale market, again as we mentioned before, has been dramatically impacted. I think we talked about in our Q1 call, a firm that we have a partnership with based in New York called Real Capital Analytics that does information about transactions in the investment sale market for its higher end properties, it's the $5 million and up kind of institutional stuff. I think their average was the transactions closings in Q1 '08 versus Q1 '07 were down something like 70% -- 60, 70%, a dramatically slowed market basically driven by the debt market disruptions. So in our business we are seeing that reflected where demand side for the investment sale piece of the business, the growth rate there has slowed pretty dramatically as a result, which translates to the operating metrics being less active, which has translated to slower subscriber sales and higher cancellation rate in that segment as well. It's being offset by a very solid growth in the marketing side, which is really what's been driving our growth in the business in the last couple of quarters.

<Q>: [Low Audio]

<A - Richard Boyle>: No. The question was, do we penalize subscription cancellations who come on and off. Absolutely not. In fact, the minimum commitment for a subscription on LoopNet is one month. It's a very frictionless system in that regard. We absolutely see what we call transactional users who come and go frequently. Examples would be, on the marketing side, somebody who has got one commercial real estate listing might use our paid service while they are marketing that for six months and then go back to the free service. On the investment sale side, a great example would be investors who are looking for buildings to buy who might use our free service on a continual basis. And then occasionally as they are getting serious about trying to find the third building they want to buy, step up to use our paid service for relatively short duration of time while they look for it. And so we've seen those transactional users come and go since we launched this paid service back in 2001. It's a dynamic that we're very comfortable with. And it's what -- probably important to keep in mind about it is our sales and marketing model of the company is incredibly efficient. We get most of our new users coming on to the platform via organic or free means. There is no kind of per unit cost to them. And as they get on the system and be the users for free, we up sell them to the paid service primarily via online or e-commerce sales or to self-service credit card. So our overall sales and marketing as a percentage of revenues run – excluding stock comp, it runs at about 18 to 21% of revenue. So we have this very efficient model of bringing new customers on. So customers that kind of come and go in this transactional mode are still profitable customers for us.

<<Unidentified>>

Okay. I think we are out of time. So I thank Rich for the presentation.

<<Richard Boyle, Chief Executive Officer and Chairman of the Board>>

Thank you very much.

Exhibit 3

LoopNet Make Deals Happen

Also available online at http://www.LoopNet.com/pdf/MakeDealsHappen.pdf

LoopNet®

More Members. More Traffic. More Partners.

- Over 2.75 million registered members
- 950,000 unique visitors each month*
- Exclusive distribution network of 125+ newspaper web sites
- Trusted by the nation's leading brokerage firms

Why LoopNet?

- **Free** option to search and add unlimited Basic Listings
- **Powerful** marketing to the largest audience and most heavily trafficked commercial listing service online
- **Trusted** by the nations leading brokerage firms
- **Flexible** options for premium exposure; No contracts or office-wide purchases required
- **Exclusive Distribution** options to 125+ newspaper web sites

#1 in Exposure

With 950,000 unique visitors each month, LoopNet.com is the most heavily trafficked commercial real estate site on the internet. LoopNet's user base represents the largest online community of commercial real estate professionals. In fact, LoopNet.com generates **4 times more traffic** than any other commercial real estate web site... and that doesn't include the traffic from our exclusive network of newspaper web site partners which generates more than 18 million unique visitors each month.

WEB SITE TRAFFIC

Exclusive Network of Newspaper Web Sites

Reach prospects searching for commercial real estate in your local market or across the nation. Our exclusive network of 125+ national and local newspaper web site partners offers extended exposure to fit your marketing needs.

Los Angeles Times · The Wall Street Journal (*For sale listings only) · The New York Times · Chicago Tribune · The Boston Globe · washingtonpost.com

Powering Listings to 1000+ Commercial Real Estate Organizations

More than 1,000 commercial real estate firms trust LoopNet's market-leading solutions to power listings on their web sites, streamlining their property marketing efforts.

CBRE CB Richard Ellis · Grubb&Ellis. Property Solutions Worldwide · NAI Global Commercial Real Estate Services, Worldwide · Colliers International · CCIM

"Thanks to LoopNet's national exposure, I received two dozen sincere inquires from all over the country and a full price offer within days of posting it!"

Grubb & Ellis Broker
Riichmond, VA

* 4x more traffic than any other commercial real estate web site, *comScore 2008.*

LoopNet #1 in Commercial Real Estate Online

Q1 | 2008 REV050908.1

LoopNet Make Deals Happen

LoopNet®

The Right Exposure for the Right Price

LoopNet offers several different levels of exposure to fit your marketing needs.

Showcase Maximum Exposure

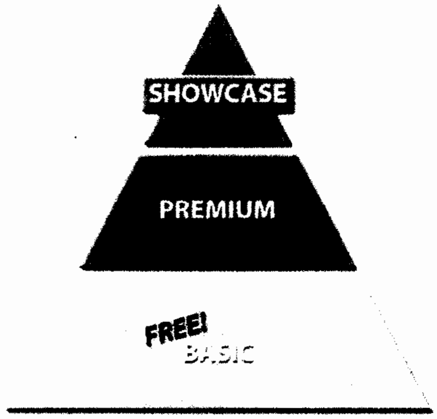
- 3x the exposure of Premium Listings
- Top placement in LoopNet search results
- Distribution to 125+ newspaper web sites

Premium Reach LoopNet's Entire Member Base

- Viewable to 2.75 million registered members
- 950,000 unique visitors each month
- Advanced marketing tools

Basic Reach the Largest Paid Subscriber Base

- Viewable to 90,000 paid subscribers, more than any other service
- Unlimited Basic Listings



Listing Levels on LoopNet

Premium Membership for Professionals

While all LoopNet members can add unlimited listings to their accounts on LoopNet.com, Premium Membership offer unparalleled marketing for the commercial real estate professional who wants maximum exposure, industry-leading property marketing tools, access to lead lists, unlimited searching and more.

234
People Interested
VIEW PROSPECTLIST

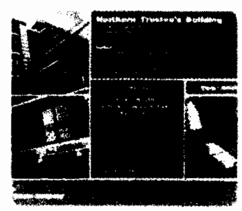
ProspectList

Your strongest prospects delivered daily. Initiate contact with searchers whose buying and leasing requirements match your Premium Listing. With the click of a button, send a customized email featuring your listing or simply call your prospects.

Enhanced Listing Web Site

Now available for all Premium Listings. Create an interactive web site that provides a professional and engaging way to display your property... all with the click of a button.

Choose from six different professionally designed templates.



Listing Activity Reports

Quickly gain an in-depth understanding of how your marketing efforts on LoopNet.com impact your listing's exposure to prospective buyers and tenants. Easily view, print and share a variety of powerful exposure reports with your clients and partners.

Exposure to Google, Yahoo and MSN Searchers

Our advanced SEO (search engine optimization) techniques provide millions of Google, Yahoo and MSN searchers with a direct link to Premium Listings for relevant property searches.

Google
YAHOO!
msn

OTHER PREMIUM FEATURES

- Maximum Listing Exposure
- Professional Property Flyers
- Unlimited Searching
- Daily Property Email Alerts
- Interactive Property Mapping
- Controlled Access Marketing

LoopNet #1 in Commercial Real Estate Online
www.loopnet.com

Today
Call 1.888.567.7442 (toll free)

Q1 | 2008 REV050908.1

Exhibit 4


SELL IT. LEASE IT.
SHOWCASE IT.
LoopNet

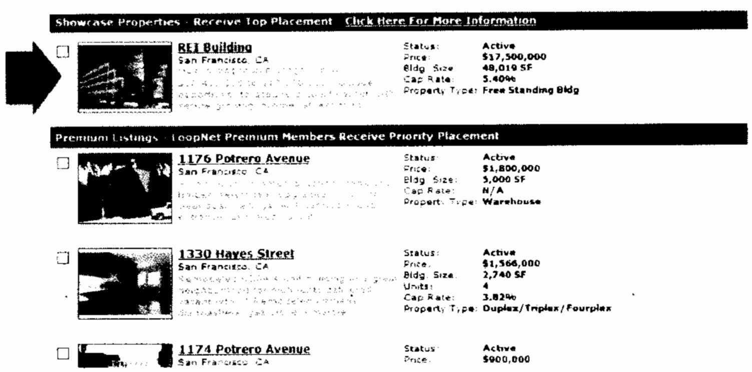
BENEFITS

Unparalleled Exposure

Showcase your property on the largest commercial real estate web site in the world and get **4X's the traffic of any other listing service online.**

Top Placement

Encase your listing in gold and receive top placement in relevant search results on LoopNet.com.



Exclusive Distribution

National reach. Local presence. Find prospects searching for commercial real estate on our exclusive network of national and local newspaper web sites.

THE WALL STREET JOURNAL. Los Angeles Times
The Boston Globe washingtonpost.com

Search Engine Marketing

Get the same exposure to Google, Yahoo and MSN searchers that ALL of our Premium Listings have received for years!

Google msn YAHOO!

Complete Flexibility

Only pay for what you need! No long-term contracts and select only the properties that need a boost in exposure.

EXCLUSIVE
NEWSPAPER NETWORK

The online newspaper web sites in LoopNet's exclusive distribution network generate more than **18 million unique visitors** per month.

source: comScore 2008

LoopNet

DISTRIBUTION

The Boston Globe

washingtonpost.com

TwinCities•com
PIONEER PRESS

The Dallas Morning News

The Oakland Tribune
www.oaklandtribune.com

The Columbus Dispatch
dispatch.com

commercialappeal.com
Memphis. Online.

InsideBayArea.com

startribune.com

philly.com

knoxnews

startribune.com

Sorry... we have far too ma

STRENGTH IN NUMBERS

Does your online marketing compare?

- **2.75 million** registered members
- **950,000** unique visitors per month*
- **125+** national and local newspaper web site partners
- Powering listings to **1000+** commercial real estate web sites

LoopNet

* 4x more traffic than any other commercial real estate web site, *comScore 2008.*

Exhibit 5

LoopNet®

Advertise with LoopNet

Property Advertising with LoopNet

Advertising on LoopNet.com can triple the number of times your property is viewed. Choose from additional exposure on our web page or go beyond our website and advertise in LoopNews, our weekly E-Newsletter sent to more than 800,000 subscribers.

LoopNet, Inc. is the leading commercial real estate web site and the largest listing service online. In addition to listing your property on our site, you can also customize your own marketing campaign for your properties.

When you advertise on LoopNet, your property is seen by:

Registered Members:	**2.75 million**
Unique Visitors:	**950,000 per month**
Market Coverage:	**All US & Canada**
User Sessions:	**14 million per month**

Click on the links below to find out more information about each option.

Featured Property – Display your property 120,000 times per month

Showcase Property – Push your property to the top of search results

Hot Properties Bulletin – Immediate Exposure to Owners, Investors, Developers and Tenants

Highlighted Property – Promote your property to more than 800,000 LoopNews subscribers

BUNDLED PACKAGING AND DISCOUNT PRICING

LoopNet offers a variety of advertising options and packages to help you distinguish your property from the others. By combining LoopNet's advertising options, you receive maximum exposure for the lowest price. We can customize a package that is right for your company.

To find out how LoopNet.com can fit into your marketing plans and your budget contact us at (888) 567-7442 or click here to request more information.

LoopNet is a leading information services provider that offers a suite of products and services tailored to the national and local needs commercial real estate industry. LoopNet operates the largest and most heavily trafficked commercial real estate listing service onlin

2.75 million registered members and 950,000 unique visitors monthly. The LoopNet online marketplace contains more than $500 billi available for sale and 4.3 billion square feet of property available for lease. LoopNet covers all commercial real estate property categ commercial land, office space, industrial, multifamily (apartments) and retail. LoopNet attracts the largest community of commercial professionals including brokers, investors, tenants, property managers, landlords, and appraisers. LoopNet's market-leading LoopLinl the web sites of more than 1,000 commercial real estate organizations and seamlessly integrates their web sites with LoopNet's listin www.LoopNet.com.

Exhibit 6

LoopNet Help Center

Frequently Asked Question
What are the benefits of LoopNet membership?

Category: All › Membership

Answer

LoopNet membership provides access to the largest database of commercial listings.

Premium Membership for Professionals was designed for commercial real estate professionals who seek the broadest possible exposure for their listings, access to leads lists, and advanced marketing and searching tools. For more information please call 1-888-567-7442.

Premium Membership for Searchers was designed for commercial real estate professionals who need unlimited searching access, professional-quality reports and advanced searching tools. For more information please call 1-888-567-7442.

Last Update: Apr 30, 2008

Close Window

Exhibit 7

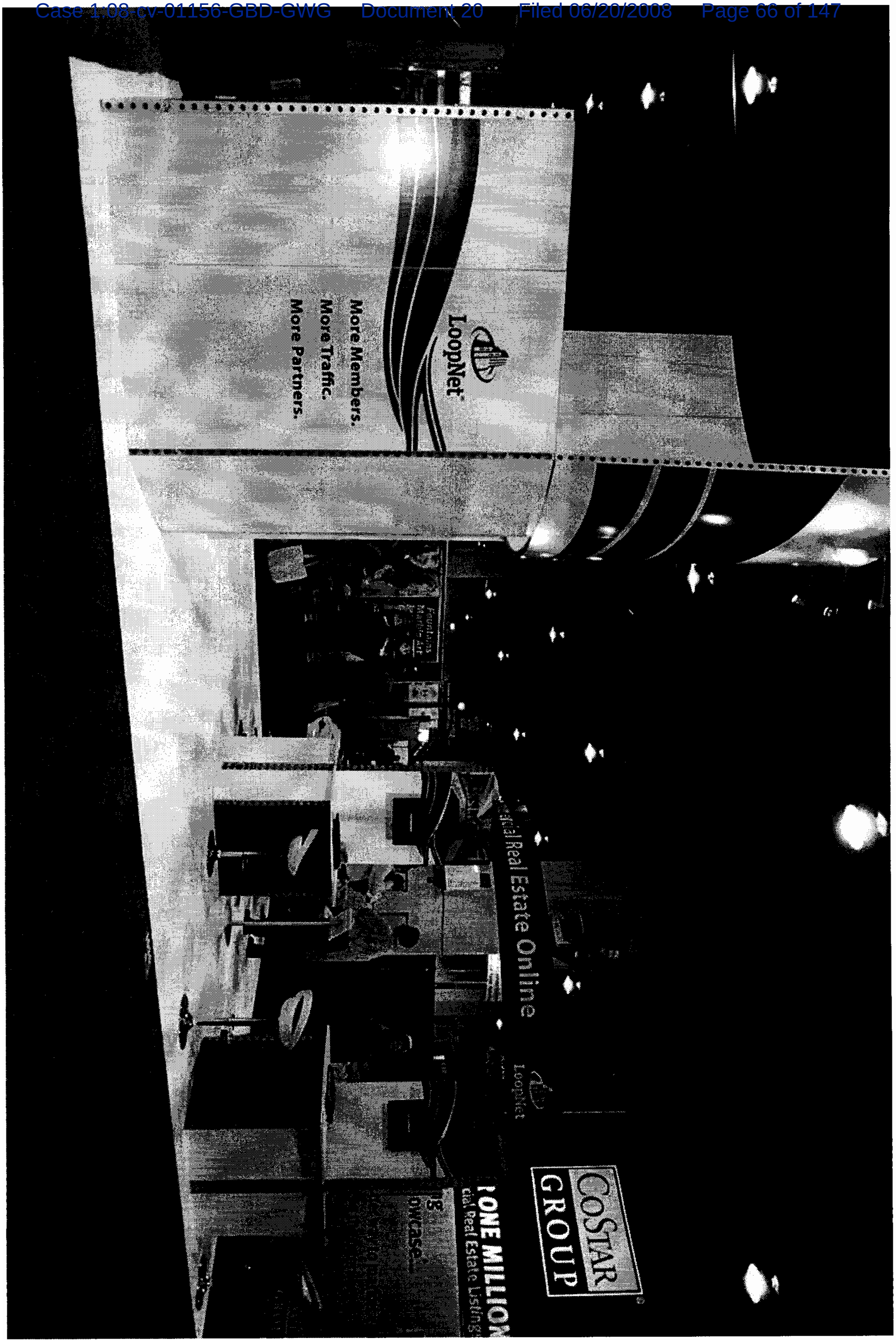

LoopNet
More Members.
More Traffic.
More Partners.
Real Estate Online
COSTAR GROUP

Exhibit 8

RCA Report
REALTORS® Commercial Alliance
REALTORS' Commercial Alliance
REALTOR
Published by the National Association of REALTORS®
VOL. 7, ISSUE 3 • SUMMER 2006

IN THIS ISSUE

Real estate outlook 2010

Predicting the future is tricky. At best it's two parts knowledge and one part luck. Yet, only by looking farther ahead than next quarter's earnings can commercial real estate companies plan strategically and ensure success. *RCA Report* looks at some new—and a few old—ideas that may shape markets and companies into the next decade.

FACTS FOR THE FUTURE

- **162.1 million:** U.S. civilian labor force by 2014
- **164.5 million:** Total U.S. employment by 2014
- **98 million:** Barrels of oil used worldwide per day, up 22% from 2003
- **80%:** Web access that will occur through Web-enabled phones by 2010

Sources: U.S. Census Bureau, Bureau of Labor Statistics, Energy Information Administration, The Futurist.

Market 2010

If there's one prediction everyone wants, it's what markets will be doing in the future. The good news is that relatively stable cap rates and strong capital flows should keep prices up, at least for the next couple of years, according to Dr. Peter Linneman, Albert Sussman Professor of Real Estate at the University of Pennsylvania's Wharton School. "For the first time in a long time, real estate is priced right relative to interest rates," says Linneman. So whatever interest rates do, cap rates shouldn't be more than 100 to 150 basis points higher than the prevailing interest rates, he says.

By 2010, however, the picture could be a little shakier. "I worry about the development pipeline and a major hiccup in supply in three or four years," says Linneman.

Interviewees in a special "Outlook through 2010" section of *2006 Emerging Trends in Real Estate* (published by the Urban Land Institute and PriceWaterhouseCoopers) see the most trouble ahead for Big Boxes, which may find themselves losing the battle to lifestyle centers or mixed use within urban town center unless they start reinventing their concepts.

Another longer term opportunity might be the resurrection of manufacturing in such space-heavy markets as Detroit. Skilled assembly labor might be able to compete for jobs if the real estate is "significantly repriced," says Don Guarino, vice president and chief appraiser for the Aegon USA Realty Group. R&D, on the other hand, is probably headed overseas, where clean space can be constructed for much less, he adds.

Oversupply might well coincide with an economic slowdown to produce negative office absorption in three to four years, predicts Robert Bach, senior vice president for research and client services at Grubb & Ellis Company. While Bach is "enough of an optimist" to believe that there's only a 40 percent likelihood of a recession by 2010, he says that real estate returns "will revert to what they've always been, 2/3 income and 1/3 appreciation."

Capital will also become more global, predicts Steve Blank, ULI senior research fellow for real estate finance and one of the authors of *Emerging Trends*. "Over the next five years, companies will deploy capital without borders and become indifferent to whether the right strategic investment opportunity is in Hunan, China, or San Paolo, Brazil," he says.

Demographics and changing technologies will also contribute to

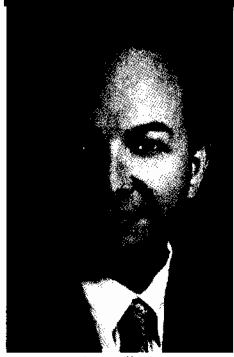
See **Real estate** *on back page*

DATAPoints

$2 trillion	6–8%	$682.7 billion	40%
Estimated value of brownfield sites in the United States.	returns from commercial property for the remainder of 2006.	Outstanding volume of CMBS market at the end of 2005.	of commercial property made up of small-scale, scattered development in 13 major metros.

Credits: Brownfields Capital; Patrick Halter, Principal Financial Group, speaking at the spring CRE conference; Survey by the National Association of Real Estate Investment Trusts and the Commercial Mortgage Securities Association; "Beyond Edgeless Cities: Office Geography in the New Metropolis," Robert E. Lang, Thomas Sanchez, and Jennifer LeFurgy.

VPReport



James Marrelli
NAR Vice President
Commercial Real Estate

Beyond service to thought leadership

At the REALTORS® Commercial Alliance, we are committed to exceeding our members' expectations. Thanks to the new *2006 NATIONAL ASSOCIATION OF REALTORS® Commercial Member Profile,* we've been able to drill down and gain a deeper understanding of who those members are and how RCA can help them excel in their businesses. We found 74 percent of our members look to RCA for market trends information so we created the first-ever Commercial Leading Indicator to anticipate market directions. Members were also eager for comparable sales (73 percent) and lease data (69 percent) so RCA is working on establishing these resources and has renewed its efforts to create a truly national commercial listing database (see page 3 for details). The RCA has also responded to its members' call for more continuing education with publications such as the Hot Topics series and the Technology & Intelligence Briefing CDs. These tools provide timely, practical ways for members to stay on the cutting edge of industry issues.

Achieving these strategic initiatives would be enough for many. But RCA aspires to even more. We're determined to earn the loyalty and repeat business of our current members and to expand our membership to all sectors of commercial real estate. To reach this goal, we must do more than just respond to current needs. We must become thought leaders. Great business thought leaders such as Peter Drucker and Tom Peters have looked beyond how companies operated and promoted ideas that foster innovation and change. They have acquired and shared with others a deep understanding of their customers and of the marketplace. They have bridged competitive issues and raised the bar for the entire business community.

In its own way, RCA is striving for a similar breakthrough. Only by becoming a true thought leader can the RCA fulfill its mission of becoming the Voice for Commercial Real Estate. Thought leadership will position the association not only to respond to the industry, but to anticipate member needs and promote innovative ideas that will address changes in positive ways. The success of RCA's recent Commercial-Source.com, the commercial real estate industry's first online conference and trade show, is just one example. More than 14,000 commercial industry professionals registered and had the opportunity to listen to over 18,000 speaker sessions. Such a response demonstrates the innovative approach to a perceived need that is a hallmark of thought leadership.

Soon RCA will move into the third year of its three-year strategic plan. As the RCA's staff and volunteer leadership rededicate themselves to achieving our goals, we also commit ourselves to attaining a true position of thought leadership in the commercial real estate industry. Thought leadership is the magnet that draws people to associations and the driver that propels an association to a new level of excellence. RCA is committed to reaching that level—and staying there.

Be prepared: Take on the future!

Attend these two exciting Commercial Workshops at the NAR Leadership Summit, sponsored by the RCA.

"The Changing Face of Leadership and Perspectives on Commercial Real Estate Trends," by Alan Parisse, noted leadership speaker

"Through the Looking Glass: Perspectives on Commercial Real Estate Trends," by James Marrelli, vice president, RCA

The workshops are free to attendees and take place between 8:00 a.m. and 11:00 a.m. on Thurs., August 17.

REALTORS® Commercial Alliance

To contact NAR Commercial Real Estate staff: 888-648-8321. To find an online version of this newsletter go to *REALTOR.org/RCA*. For a complete listing of NAR legislative and regulatory initiatives, go to *REALTOR.org*.

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Society of Industrial and Office REALTORS® (SIOR)
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RCA Update
MEETING SUMMARY

NAR leadership commits to commercial programs

During the recent Mid-Year Legislative Meetings & Trade Expo in Washington, D.C., NAR President Tom Stevens told the RCA Committee that the leadership of the NATIONAL ASSOCIATION OF REALTORS® is committed to providing quality programs, products, and services to the growing number of NAR commercial members. As one example of this commitment, Stevens told the Committee about an agreement between NAR leadership and the leadership of the CCIM Institute to reopen discussions on a joint Commercial Information Exchange platform. A CIE would provide an online platform for sharing commercial listings. In addition, a representative of the NAR Communications Committee reassured RCA Committee representatives that at least 10 percent of the new REALTOR® Public Awareness Campaign budget will be dedicated to TV, radio, and print ads focusing on commercial real estate.

The RCA Committee also created a Commercial Membership Recruitment Work Group that will assist local boards in attracting more commercial members. The Work Group will examine all aspects of commercial member recruitment, including the DR dues formula. This NAR member policy, which requires that the managing broker and all licensed agents in the office be REALTOR® members, is often a roadblock in getting some commercial companies to join the association, according to staff at Commercial Overlay Boards and Structures.

During the same NAR meetings, the Commercial Real Estate Research Subcommittee reviewed the new Commercial Leading Index and solicited ideas on how the CLI could best be promoted to and used by the commercial real estate and finance industries. The CLI, introduced by NAR Research staff earlier this year, uses a complex formula of economic data to predict future levels of commercial brokerage activity (see the Spring 2006 issue of the *RCA Report* for a story on the CLI). NAR's Research staff also reported that it was in the process of issuing requests for proposals to conduct research on an office use sector analysis and to compile a commercial real estate research resource guide. Research staff will also continue to investigate methods for acquiring and publishing land data to accompany the office, multifamily, industrial, retail, and hospitality sectors data it now issues quarterly.

The Commercial Legislative & Regulatory Subcommittee voted to strengthen its policy statement on the involvement of real estate licensees in tenant-in-common transactions. The new statement reads: "Sales of tenant-in-common interests are fundamentally real estate transactions, and, as such, NAR believes that consumers are best served by having the opportunity to use and rely on the expertise of real estate professionals, REALTORS®, and the protections of state real estate laws. In some instances, the sale of tenant-in-common interests may also constitute the sale of securities. In such cases, securities professionals may also be involved to advise consumers on the securities issues as well as to comply with state and federal securities laws."

Currently the Securities and Exchange Commission and the National Association of Securities Dealers, which oversee the securities TIC industry, have rules that explicitly forbid real estate professionals from being compensated in a TIC transaction unless they hold a securities broker/dealer license. NAR staff continues to work with the Securities and Exchange Commission in an effort to define a role for REALTORS® in the sale of securitized TIC transactions.

Thanks to CommercialSource.com sponsors

With more than 14,000 total registrations and almost 80,400 virtual booth visits, the first-ever RCA CommercialSource.com online conference and trade show was a huge success. The REALTORS® Commercial Alliance would like to thank the following sponsors whose support helped make the event possible.

LoopNet
Matthew Ferrara & Co.
RIS Media
Realty Times
Society of Industrial and Office REALTORS®

LEGISLATIVE Update

CAPITAL MARKETS

Threats to commercial lending continue

The NATIONAL ASSOCIATION OF REALTORS® is continuing its efforts to ensure that mortgage funding for commercial development and renovation remains available and affordable. Several regulatory proposals could imperil the flow of capital to the industry.

FASB: Following its June 7 meeting, the Financial Accounting Standards Board continues to contemplate the best approach to respond to accounting practice issues, including how to provide guidance on servicer discretion on loans securitized through qualified special purpose entities, that arise in the application of FAS 140. The Capital Consortium (NAR, Mortgage Bankers Association, Commercial Backed Securities Association, Real Estate Roundtable, American Securitization Forum) has been working cooperatively with the FASB to provide practical information on how the industry is operating in accordance with FASB's established accounting standards as they relate to servicing. A change in the servicer discretion interpretation could result in commercial mortgage-backed securities trusts no longer qualifying for QSPE status under FAS 140. A change would be onerous and disrupt the $709 billion U.S. CMBS market by reducing the flow of capital provided by the CMBS market to commercial real estate and further constraining the ability of borrowers to reposition property to ensure debt service. The U.S CMBS market is the second largest source of commercial and multifamily real estate credit in the United States, now comprising nearly 26 percent of the $2.7 trillion U.S. commercial real estate debt market.

Basel II Accord: The Federal Reserve recently released a draft notice of proposed rules that would begin implementing the Basel II Accord. Basel II, an international set of standards agreed to by the central banks of the 10 largest economies, governs the way the largest banks determine the amount of capital they must hold in reserve to mitigate risk, including real estate exposures such as home equity lines of credit, residential mortgages, income-producing real property, and high-volatility commercial real estate. Basel II was widely seen as providing a competitive advantage to larger banks, thus prompting the financial regulatory agencies to begin modifying Basel I, which would apply to smaller banks, to level the playing field. In both cases, the regulators maintain that the effects on the real estate markets should be minimal. However, NAR remains concerned that the two Basel Accords may not yet be properly aligned and may therefore disrupt the real estate markets by altering the flow of capital. NAR has advocated for the same treatment of real estate under both Accords. From the time the draft notice is published in the *Federal Register*, NAR will have 120 days to respond to the proposed treatment of real estate exposures.

TERRORISM INSURANCE

GAO studies bio-terrorism insurance availability

In response to a request from the House Financial Services Committee, the Government Accountability Office is undertaking a study on the availability of nuclear, biological, chemical, and radiological insurance. NAR members that have NBCR policies are encouraged to contact Tom Heinemann at 202/383-1090 or *theinemann@realtors.org* and provide input. The study is scheduled to be completed by this fall. Findings will likely be used in developing legislation to create a more permanent replacement for the Terrorism Risk Insurance Extension Act. The President's Working Group on Financial Markets has until September 30 to develop recommendations for a long-term solution that increases the participation of the private sector in providing affordable terrorism insurance.

Apartment locator suit reinstated

A federal appeals court has decided that a trial court improperly dismissed a suit alleging that an apartment-locator service discriminated against a handicapped individual. In the case, a prospective tenant who was deaf used a relay service operator to attempt to contact a company that provided referrals for individuals looking for apartments. The company owner told the prospect that he did not accept calls from relay operators, who provide a service so that the deaf can make phone calls. The owner also directed profanities at the prospect.

The prospective tenant contacted the Department of Housing and Urban Development, which filed a suit for discrimination under federal fair housing laws. The trial court found for the government on one charge but dismissed six other charges. It also granted a permanent injunction against the company prohibiting certain conduct.

The U.S. Court of Appeals, Second Circuit, upheld the trial court ruling and reinstated some of the dismissed charges. For example, the trial court had determined that a section of fair housing law that makes it unlawful to "publish" any statement of preference based on race, color, religion, sex, handicap, familial status, or national origin did not apply to the company because the trial court had ruled that the law applied only to owners and their agents. The appellate court disagreed that the statute supported such a narrow reading. The high court also reinstated four allegations that were dismissed under a provision called the "Mrs. Murphy" exemption, which exempts rooms or units in buildings of four or fewer housing units if one of the units is occupied by the property owner. The trial court had ruled that since the apartment locator service listed only owner-occupied units, it was covered by this exemption to fair housing law. However, the federal appellate court ruled that the exemption was a defense the company could raise in a trial but was not grounds for dismissing the charges. The court also overruled the trial court's decision not to allow punitive damage claims because the defendant had "engaged in intentional discrimination and has done so with malice or reckless indifference to the federally protected rights of an aggrieved individual." To read a complete summary of the case, go to *www.REALTOR.org/letterlw.nsf/pages/0306spacehunters3.*

No listing without agreement

The Iowa Supreme Court has ruled an oral agreement that a broker would seek buyers for a business was not enforceable as a listing agreement. In the case, the owner of a restaurant allegedly contacted a broker and asked the broker to look for a buyer. The owner did not want to list the business for sale because he feared that it would hurt his customer base. He offered to pay a commission based on a percentage of the sale price. The broker found a buyer for the property and had the prospect sign a nondisclosure agreement that stipulated the buyer would not negotiate directly with the seller.

After the sale closed, the seller refused to pay the broker a commission, claiming no agreement for compensation existed, and the broker sued to collect a commission. The trial court ruled for the seller, stating that the broker's claims were barred because of a state law requiring that all listing agreements be in writing.

The Iowa Supreme Court reversed the ruling and sent the case back to the trial court. The agreement between the owner and the broker was not a listing agreement, said the Supreme Court, so the state's rule did not apply. To read a complete summary of the case, go to *www.REALTOR.org/letterlw.nsf/pages/0406stewart?OpenDocument&Login.*

SCORECARD

JUNK FAX PROTECTION ACT

Allows commercial practitioners to fax materials to clients with whom they have an established business relationship without first obtaining written permission.

Last Action: The Federal Communications Commission issued a final rule on the Act establishing a requirement that requests for opt-outs must be met within 30 days and identifying which cost-free mechanisms can be used for opt-outs. The FCC refused to place a time limit on the duration of an opt-out.

Status: The Act goes into effect on August 1, 2006, and applies to interstate fax advertising. State laws may apply to intrastate faxes. For more detail, go to *www.fcc.gov/cgb/consumerfacts/unwantedfaxes.html.*

ENERGY POLICY ACT OF 2005

Enables commercial property owners to receive tax deductions for improvements that improve energy efficiency made during 2006 and 2007.

Last Action: The IRS has issued an advance notice on how commercial building owners can qualify for tax deductions of up to $1.80 per square foot.

Status: To qualify for a full deduction, improvements must be made to the building's interior lighting, HVAC, or envelope and save at least 50 percent in the building's combined energy usage. Partial tax deductions of improvement costs are available if energy usage is reduced by at least 16.66 percent.

SMALL BUSINESS HEALTH PLANS

Would improve the availability and cost of health insurance to small businesses and the self-employed by allowing nonprofit organizations such as NAR to offer nationwide health insurance plans.

Last action: Senators failed to overcome a filibuster and move the bill (S. 195) to floor for a vote.

Status: Senator Mike Enzi (R, Wy.), a bill sponsor, says he hopes to resolve concerns and bring the bill up later this year.

INDUSTRY Update

Your rights under designated rights

By Nicholas A. Franke

When a landlord learns that a tenant has filed for bankruptcy, the consequences can be more far reaching than forgone rent payments. The bankrupt lessee can assign its lease to a new tenant without the landlord's approval. In addition, by selling designation rights to a third party, the bankrupt lessee gives the third party buyer the opportunity to pick the assignee and set the terms for the lease assignment made by the debtor. In either case, the retail landlord is put in a position of losing control over a portion of the retail asset.

The passage of the Bankruptcy Abuse Prevention and Consumer Protection Act (P.L. 109-8), which generally went into effect Oct. 17, 2005, gives retail landlords new leverage to prevent a designation rights sale. However, they must be prepared and move quickly. Under the new Act, retail tenants have a 120-day period to assume or reject leases. While this period is twice as long as the time permitted under earlier laws, the Act restricts retail tenants to one 90-day extension of this period instead of the serial extensions routinely granted before the new law.

A number of clarifications under the new bankruptcy law also provide an opportunity for a lessor to successfully oppose the assignment of a lease by the debtor. To assign a lease, a debtor must

- Satisfy all monetary defaults and cure all nonmonetary defaults that are not impossible to cure. For example, the prior violation of a continuous operation provision would be impossible to cure.
- Comply with the lease's continuous operations provisions after assumption.
- Assure the percentage rent will not decline substantially.
- Determine that the assignment will not violate use, exclusivity, and similar provisions in either the subject lease or other leases in the center.
- Provide that the lease transfer will not disrupt the center's balance or tenant mix.

However, these requirements are no guarantee of protection for the landlord. For example, because a debtor can often command a higher price for a lease by having the lease restrictions removed, bankruptcy courts have eliminated restrictive covenants when they have hindered an assignment. In the K-Mart Chapter 11 proceeding, for example, the bankruptcy court struck a lease term requiring continuous operation and permitted the location to go dark for nine months following a designation rights sale. Whether the recent amendment's enhanced enforcement of nonmonetary lease provisions would alter the decision in the K-Mart case is uncertain.

Similarly, bankruptcy courts have generally prevented lessors from receiving any of the financial benefits from a designated rights sale. In general, any proceeds received from such a sale are divided between the bankrupt tenant and the designated rights purchaser. Bankruptcy courts have held that any attempt by a landlord to share in the profits of a designated rights sale is unenforceable as antiassignment provisions. A landlord may successfully oppose a designated rights sale if the tenant/debtor receives only a nominal fee.

While a landlord may be able to save use restrictions and similar lease provisions from being invalidated, it must be prepared for a bankruptcy court to approve a designation rights sale. A stay is the only way a sale in bankruptcy can be overturned, and this option requires a prohibitively expensive bond. Typically, the best use of a lessor's resources is to concentrate on opposing the assignment.

Lessors should also consider negotiating with the debtor for a prompt rejection of the lease before a designated rights sale occurs. The landlord might offer to waive claims or pay for a prompt rejection to avoid an assignment.

Revisions in the Bankruptcy Code that shortened the time for assumption and provide greater enforcement of restrictive lease terms have left a number of unanswered questions about the future of designation rights sales. However, the economic incentives for third parties and debtor/tenants in these transactions will probably ensure they will be an important part of retail bankruptcies going forward.

Nicholas A. Franke is a partner in the St. Louis office of Spencer Fane Britt & Browne LLP. He limits his practice to commercial bankruptcy and insolvency matters. He can be reached at **nfranke@spencerfane.com** *or 314/863-7733.*

T&I BRIEFING

In its fourth installment, the RCA Technology & Intelligence Briefing CD once again brings you business-changing ideas from some of the most innovative thinkers in commercial real estate. Just hit play and start learning.

JEFFREY DE BOER, president and CEO of the Real Estate Roundtable(*www.rer.org)* brings you up to date on legislative and regulatory issues.

- Along with RCA and the Institute of Real Estate Management, the Real Estate Roundtable is an active participant in the **Real Estate Information Sharing and Analysis Center.** This center, which issues alerts about potential security threats and promotes best practices for protecting assets, is a critical emergency preparedness tool.
- The Roundtable is seeking to give federal employees the option of investing a portion of their retirement savings—held in the Thrift Savings Plan—into real estate. The change will not only benefit federal workers but will provide **a new capital source for the real estate industry.**

SCOTT R. MULDAVIN, CRE, CMC, president, The Muldavin Company, offers you an update on where capital flows are heading and provides an overview of The Green Building Finance Consortium, of which RCA is a sponsor.

- Technology and tech-driven research and analytics are attracting more individual investment into commercial real estate funds and REITS, as well as to single properties. Institutional money will also help keep **liquidity in the market**.
- With more than 6,000 buildings certified by the U.S. Green Buildings Council, **green is no longer on the fringes.** That's why the Consortium's efforts to create tools and methods for evaluating the value impact that green features have is so timely.

BOWEN H. "BUZZ" MCCOY, CRE, president, Buzz McCoy Associates Inc. and author of the new *Evolution of Real Estate Capital Markets: A Practitioner's Perspective*, highlights recent developments in commercial financing.

- There's more risk in the real estate market now than there has been for the last five years. **Securitized properties are vulnerable** if there is a market downturn since they aren't being administered by people skilled in workouts.

AFFILIATE SPOTLIGHT

CRE honors program to slash voucher overpayments

Overpayment of rent vouchers has plagued the Department of Housing and Urban Development and local housing authorities since the program began in 1974. Now two members of The Counselors of Real Estate have developed an innovative, cost-effective rental housing database that lets authorities calculate market-appropriate rental payments for vouchers.

For their work in the development of such a database, Maxine V. Mitchell, CRE, and Robert E. Miller, CRE, received the 2006 James Felt Creative Counseling Award of The Counselors of Real Estate. Mitchell is president and Miller is senior vice president of Applied Real Estate Analysis Inc. in Chicago. The award was presented to Mitchell and Miller at The Counselors of Real Estate Midyear Meetings in Charleston, S.C., in April 2006.

The Housing Choice Voucher Program (formerly known as the Section 8 program) helps eligible households pay rent on privately owned units of their choosing. In 2004, $14.2 billion was devoted to this type of tenant-based rental housing assistance.

Each database model is designed to be unique to a local rental market. For each city, Mitchell and Miller assess the housing market conditions and develop a hedonic pricing model that calculates fair, defensible rent prices. To date, the pair have conducted work for housing authorities in Philadelphia, New Orleans, and Los Angeles.

Key features of the system include housing market conditions and trends; careful definition of submarket areas; statistically reliable analysis; substantial sample size; and versatility. (The database may also be used to assess an authority's portfolio of conventional and scattered-site housing.)

Mitchell has more than 30 years of experience in real estate market analysis, economic assessment, and public policy planning. Miller is a historian and city planner who has spent the past 30 years as a real estate analyst and public policy consultant specializing in the revitalization of urban areas.

The James Felt Creative Counseling Award honors outstanding achievement and ingenuity in real estate counseling by the members of The Counselors of Real Estate. Selection is made by a peer-review committee.

Established in 1992, the award honors the memory of James "Jack" Felt, CRE, a prominent real estate pioneer and founding member of The Counselors of Real Estate. The award reflects Felt's personal and professional standards, ethics, integrity, creativity, and competencies displayed throughout his real estate career.

The Counselors of Real Estate (*www.cre.org*) is a professional membership organization established exclusively for those real estate advisors who provide sound, unbiased, and competent advice on the many diversified issues encountered in the broad field of real estate.

NAR COMMERCIAL AFFILIATES CCIM Institute (CCIM), 312/321-4460; ***www.ccim.com;*** **Counselors of Real Estate (CRE®), 312/329-8427;** ***www.cre.org;*** **Institute of Real Estate Management (ARM®, CPM®), 312/329-6000;** ***www.irem.org;*** **REALTORS® Land Institute (ALC), 312/329-8440;** ***www.rliland.com;*** **Society of Industrial and Office REALTORS® (SIOR), 202/449-8200;** ***www.sior.com***

Real Estate

Continued from page 1

a resurgence in telecommuting and outsourcing in the years ahead, pushing down space demand, says Joyce Gioia, a consultant in workforce strategies with The Herman Group. A shortage of workers will combine with the Millennium Generation's comfort level in building communities via Instant Messaging and force more businesses to expand telecommuting options, says Gioia. So will the Millenniums' greater emphasis on work/life balance. "Tomorrow's workers would rather have a life than a title," she says.

To attract these scarcer, less job-centric workers, companies are already creating what Valarie Willis, a consultant with the Tom Peters Company, calls "lifestyle center spaces," complete with gyms and adult and child day care. Sounds like a déjà vu moment from the 1990s—the last time there was a worker shortage.

Office-heavy workforces will increasingly be replaced by what a 2004 CoreNet Global study, *Corporate Real Estate 2010,* calls "networked virtual organizations." These cross-functional teams are not location dependent, but instead use a common information technology platform such as intranet to share data and build value. Already models such as Cisco's "Building 14" project, which uses completely wireless environments suited to the task—from the quiet "library" to tables with wheels—has reduced space per worker to 120 square feet, reports real estate trend watcher Peter Pike.

Commercial real estate companies themselves will reduce their number of offices, as technology allows connectivity and remote work. "It used to be the only way a broker could get a phone message or communicate effectively with associates was to drive back to the office, so you wanted sites no more than 20 minutes apart. Not anymore," says Glen Esnard, president of Colliers International.

Yet, a Chicken Little fear that office space demand will go away is as unfounded for 2010 as it was 15 years ago, says Noah Shlaes, CRE, managing director, consulting, for Grubb & Ellis. Office versus virtual work isn't an either/or proposition. Even as virtual work expands, corporations still want places to congregate, he says.

Likewise on the retail side, everything from Web shopping to what William Mitchell's book *e-topia,* calls "dematerialization," the shift of services such as banking and even routine health care online, may reduce the number, but not the ultimate need for bricks and mortar.

Company 2010

Real estate companies are beginning to embrace the technological and cultural changes at work in Corporate America.

One big change will be an increased centralization and organizational control of property data during—not just after—the transaction, predicts Shlaes.

"Today, once a transaction starts, information falls into a black hole," agrees Esnard. Yet, clients—especially corporations who are moving toward outsourcing virtually all real estate functions—must have current portfolio information to make decisions. Consequently, says Esnard, his and other companies are adopting technologies that literally "pull information off brokers' desks, aggregate it, and then feed it back to the brokers."

Data transparency, as well as the much wider use of national commercial information exchange databases, will become possible with the industry's adoption of the OSCRE (Open Standard Consortium for Real Estate) standard, say several interviewees. These open, nonproprietary data transfer standards allow for seamless translation of data from one platform to another. OSCRE has already been tested successfully by NAR's Center for REALTOR® Technology.

Now the big challenge is adoption, which may not take place until 2008 or 2009, predicts Richard S. Kadzis, director of special projects for CoreNet Global. However, corporate client pressure will drive real estate companies to use OSCRE. Life insurance companies and other major financial sources may also be a force for standardization, says Esnard, just as the CMBS market was in the financing sector. And once OSCRE is in place, tasks such as lease abstraction and administration can be standardized, and in all probability outsourced overseas, suggests Shlaes.

Nor is it only on the hardware side that real estate companies of the future will look different. Specialized skills will also reshape the role of the real estate generalists, predicts Shlaes. He expects to see commercial brokerage activities split among teams of deal makers and transaction managers, each with separate skill sets. Another variation on specialization is a Colliers International initiative to create geographically centered teams that focus on smaller investors.

Yet, in an industry where the top five real estate companies account for less than 15 percent of all transactions and 70 percent of all commercial transactions are valued at $1.5 million or less, there will still be plenty of room for growth at all levels in 2010.

Buildings 2010

Like the companies that sell and lease them, real properties will continue to evolve—both in form and function. A likely indicator of the next evolutionary step for commercial real estate is what Michael Joroff, senior lecturer in MIT's School of Architecture and Planning, terms "New Century Cities." These large-scale projects, several of which are already occupied, incorporate both current and cutting-edge technologies from city-wide wireless networks and digitally mediated street furniture to integrated building and traffic controls. Most also include such smart-growth ideas as on-demand mass transit, energy efficiency, and mixed-use high density. The projects, which range from Korea's Digital Media City through the Northern Ireland Science Park, have mostly been funded by governments or universities in partnership with developers. An exception is the planned Media City: UK, a 200-acre site on Salford's waterfront (near Manchester) being created by Peel Holdings, a private UK developer. The company's goal for the site is a media hub anchored by the new headquarters for the BBC and encompassing everything from a media research academy to flexible space for independent producers. Completion is planned by 2010.

While many New Century Cities are focused around particular industries as they will evolve over the next 20 years, it's a mistake to view these projects as purely economic development, says Joroff. "They're more than just real estate projects. They are intended to develop human social capital," he says. Perhaps, more than any market shift or tech advance, it is this ongoing need for aggregating economic and social activity that will provide the value proposition for commercial real estate in 2010—and beyond.

Exhibit 9

FINAL TRANSCRIPT

Thomson StreetEvents

LOOP - LOOPNET INC at Pacific Growth Equities Technology Conference

Event Date/Time: Nov. 09. 2006 / 1:30PM ET

Nov. 09. 2006 / 1:30PM, LOOP - LOOPNET INC at Pacific Growth Equities Technology Conference

CORPORATE PARTICIPANTS

John Duncan
Pacific Growth Equities - Internet Infrastructure & Services Analyst

Richard Boyle
LoopNet Incorporated - Chairman of the Board, President and CEO

PRESENTATION

John Duncan - *Pacific Growth Equities - Internet Infrastructure & Services Analyst*

My name is John Mark Duncan. I am the Internet Infrastructure & Services Analyst with Pacific Growth Equities. Today, we're lucky to have LoopNet with us and the CEO, Richard Boyle. Richard?

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

Thanks, John. Good morning everyone I am Rich Boyle, President and CEO of LoopNet. So I understand the format today is we have about 25 minutes or so. So I'm going to go through a quick overview of the Company in the PowerPoint slides there and then have some Q&A at the end, if anybody has any questions.

So a couple of quick words. This is an overview of what we do. If you guys are familiar with the story, I'll go pretty briefly through this. So we had IPO earlier this year. We're still a fairly new issue. We've been two quarters reported as a public company, now. What LoopNet does is we are an online marketplace serving the commercial real estate industry, basically bringing the market online, and the industry is still one that primarily operates in an offline manner in terms of marketing and searching for deals.

So our goal is to bring it online, aggregate the supply in the market -- and the supply is basically properties that are available for sale or space available for lease; aggregate the demand in the market, people looking to buy properties or looking to lease space, and provide a more efficient online means for the supply and demand to find each other and, therefore, make deals happen than exist in the offline world.

We view it as very similar to what the eBay has done in the general goods and services space or what Monster did in the employment space, basically taking the offline marketing and searching practices, moving them on to the online world, making them more efficient, and thereby creating value for our users. The market we serve is very large, over $5 trillion in aggregate assets, millions of transaction professionals -- transactions participants in the market.

And one of the most important things to understand about our model is that it's an open marketplace, meaning we're not just used by agents and brokers that are marketing properties or that might be doing buy-side representation and tenant representation. We also have millions of investor-owners in the world that look to buy properties, millions of operating businesses that are tenants in properties, and our open marketplace is used by all the transaction participants from both the supply and demand point of view to market and search for properties.

One way to think about what we do is very similar to the residential Multiple Listing Service. There is no Multiple Listing Service in the commercial real estate space. So the practices of marketing and searching for deals are still happening primarily in offline world. The Multiple Listing Services in the residential world does a very effective job of creating an electronic database of single-family homes that are available for sale, and a very effective job of creating a searchable database of the available property. And what we are trying to do is analogous to what that does in the residential real estate space.

It's important to understand, however, our business model is entirely commercial real estate focused, and our model is very different from the online firms you may be familiar within the commercial real estate space. These firms largely take the MLS

data, get license to it from the Board of Realtors, put it in their website, build an audience for it, monetize it via different advertising and lead-generation revenue models.

There are some very interesting business models in there. Ours is quite different. Our focus today is more like the MLS itself -- the basic act of marketing and searching for deals as opposed to an advertising and lead-generation model. That's a small component of what we do, and we'll talk more about it. But the focus is to be more like the MLS.

The next important thing to understand in terms of industry background is this is an incredibly fragmented industry. When people think commercial real estate, the mental image they have is, properties like the one that we're in right now, high-rise Class A type of structures. And we serve that segment of the industry very, very well.

These are photographs from some active listings that are on LoopNet, right now. The MetLife building on Park Avenue in New York is immediately recognizable. We have an agent, who is marketing space for lease in that property on LoopNet today. And we provide great value to that segment of industry. However, on a volume basis, the vast majority of transactions in the industry are small properties, like the one in the lower-right here. It's a 7,000-square-feet office building in Omaha, Nebraska, that's being marketed on LoopNet today.

And when you look at the volume in the industry, it's the small properties owned by small owners, occupied by small tenants, transacted by small independent agents that make up the vast majority of the transaction on a unit basis in the industry. And our model really allows us to scale and cover the entire industry and aggregate the entire marketplace.

So a couple of quick words about our products and services; how we make money. The LoopNet marketplace, the core listing service -- it's really the foundation of everything that we do. It really provides the fundamental value on which we're building the company. The paid service there is a product called "Premium Membership." The premium membership is basically a paid subscription service for both marketing and searching deals. It accounts for about 80% of our revenue. And we're going to talk about it in some detail, and so I'll go through that next.

Very quickly, we do have four other services that in aggregate account for the remaining 20% of our revenue. I'll just describe what they are briefly, and then we'll talk in more detail about premium membership and the core of the business. So LoopLink is a private labeled version of our search engine that we put in somebody else's website. So if you go to "cbrichardellis.com" and you click on "Available Properties," that's our technology that powers that section of their website.

Recent Sales is a database of historical sale transactions. So basically what that is, as for-sale listings come down from the LoopNet service, we follow-up the listing agent and find out what happened. We're also getting data feeds from tax assessors' offices. We merge that back with the original listing information, and are offering that as basically a service of past transactions. People use it essentially for pricing.

If you are listing the properties, you can see what past transactions were sold for; if you are searching for properties, the same thing. That's a new service that we just launched at the end of Q1 of this year. It's very much still in the rollout phase, but we're very excited about it from a growth potential point of view.

Next is BizBuySell, which is an online marketplace of operating businesses for sale. And what you can think of here is really the intersection of small business and real estates. A great example will be a restaurant property, where the owner of the restaurant owns the operating business and the real property or the building itself. They think of it as commingled asset. When they go to sell it, they hire a real estate agent to sell it for them as a commingled asset. We acquired BizBuySell in Q4 of 2004. So it's an additional growth piece of the business.

And then, lastly is our advertising and lead generation. This is a small piece of the business today, as I said. We think it has growth potential for the future. And essentially, what this is -- are service providers to the industry that want to advertise their services to the transaction participants that are using the LoopNet marketplace.

So a good example would be, on the for-sale systems, we have people like mortgage brokers who want to advertise their services in front of investors that are looking to buy properties. On the for-lease side, its things like furniture rental companies that want to advertise their services to tenants that are looking on LoopNet. Again, a small piece of the business today, but growth for the future

So now, let's talk in some detail about the core marketplace in the premium membership, which is again 80% of our revenue and really the foundation of the business. So the way our model works is we are primarily focused from a strategic point of view in terms of trying to bring this industry into the online world. So we want them to come to our marketplace online and use it for market properties and search for properties.

The fundamental way we do that is we offer something called "Basic Membership," which is available for free. You can go online and register to use LoopNet for free, and you can use it to both market properties and search for properties for free. What you get on the free service is basically limited marketing exposure, if you are marketing properties, and no access to the more advanced toolsets to help you run an online marketing campaign on behalf of your properties.

If you are coming on the searching site for free, you get limited access to information and you're getting limited access to the more professional toolsets to help you find map, report on, generate information about the properties you might be interested in. But there is still good value in the free service, again, the point being to try to bring the marketplace online and aggregate them in our marketplace.

Then, what we offer is a "Premium Membership" service. The list price is $49.95 per user per month, and it basically provides the full functionalities on both the marketing side and the searching of the marketplace. So if you are marketing listings as a paid premium member, you get enhanced marketing exposure for you listings and you get access to a whole set of tools to help you basically run an online marketing campaign on behalf of the property.

If you are a paid premium member on the searching side, you get enhanced access to listing information, and again access to our professional toolset to help you find and generate information about the properties you might be interested in. So that's fundamentally how the model works -- bring them in as a registered member for free and then upsell to the paid professional subscription service.

So the way the sales and marketing model works is it very much mirrors that two-step process. So as I said earlier, there are millions of transaction participants in the offline world, the brokers and agents, the investors, the tenants. Our goal is to bring them online on to the LoopNet marketplace, and then convert them into paid subscribers.

At the end of Q3, we had just under 1.6 million registered numbers on the web -- on the marketplace. The primary sources of new registration -- our biggest source is word-of-mouth or direct referral, so people who come directly to "loopnet.com" and register. Our second biggest source is organic search results. So if you go to Google and you put in commercial real estate for sale, we'll be the number one unpaid result as far as traffic.

Those two account for the majority of our new registrants. It's a very network effective and very efficient model of bringing people on to the marketplace. Our third biggest source is paid search advertising, so keyword advertising on the major search engines. And then, we do some offline marketing to drive additional transaction participants online as well.

Once people register and get active on the system, either listing for free or searching for free, we target for upsells. And the primary means by which we do that are messaging on the website itself. So as you use the website as a free user, you'll upsell messages about the increased value proposition of a paid subscriber, outbound e-mail marketing.

So we do targeted outbound e-mails to our registered user base to upsell them to the paid subscription services. Those two channels account for the majority of our sales. And so people respond to those online messages, give us a credit card online, and self upgrade. So it's a very efficient process of conversion of the customers.

And the third biggest is an outbound telesales operation, where we basically call customers that we think are good candidates for the paid professional subscription and upsell them over the phone. We ended Q3 with just over 76,000 paying premium members, and again that accounts for about 80% of our revenue in the business.

So that's basically our paid services and the foundation of the business in the marketplace. This slide basically just talks to a big picture view of our strategy for growth and where we see the levers in growth in the business, going forward. So our primary strategic focus, right now, is to bring the marketplace online. We think that this is a market that is still operating in a large majority sense in the offline world.

Marketing properties in things like classified ads of newspapers, print brochures that are sent through the regular mail to private client lists, signs on buildings, all kinds of different techniques like that in the offline world; and the same reversion on the searching side. So our goal is to bring them online and get them marketing and searching for deals on the LoopNet marketplace. I am happy to have them begin the lifecycle as a free user.

Secondly, we then try to convert the free users into paying subscribers. Historically, that conversion rate has been around 5%, where if you look at the total number of registered users we have, about 5% of them have been in the premium membership state. Thirdly, is increase the value proposition overtime, and better align the revenues we receive with the value we deliver. This is essentially looking at prices. Historically, we've raised prices probably about every 18 to 24 months. As I said, the current list price is $49.95 per user per month.

And ultimately, the way the increased value in the system for us, we add a lot of features and functions to increase the usability and sophistication and capability of the system, but it's all about building liquidity in the marketplace. If you think about what our marketers want on LoopNet, when they put a listing on, what they want is people to see it, people to call them about it, and the same in the inverse.

If you come to LoopNet on the demand side and you're looking for a property, what you want to find are a sufficient number of interesting properties that meet your criteria. So building that overall liquidity in the marketplace is the key focus of the company. Fourthly, adding additional information services is another growth factor. So our recent sales service that we launched earlier this year is an incremental $30 per user per month to access that service. So we think overtime, we can continue to build new services that add increasing value to our user base and monetize that through additional revenue streams.

And then fourthly, and we think of this as the furthest down the road, is the advertising and lead generation opportunity. Again, we do a small amount of this today, but we think if the marketplace continues to grow and come online and increase the activities, we can do more of that in the form of service providers to the transaction participants in the industry that want to advertise their services to the transaction participants that are marketing and searching for deals [inaudible].

A quick word about some key competitive differentiation things that we think are important. When we look at the competition in this space, we very much think of the offline world as our primary competition, people's marketing spend in the offline world, searching efforts in the offline world. And the key sources of competitive differentiation versus us and the rest of the world -- first is supply aggregation. We think our method of aggregating the available listings in the market, which is a user-generated content model. So the listers of the properties come to LoopNet and give us the listing information directly themselves. It's very efficient from both the time and cost point of view in terms of aggregating the marketplace supply.

Demand aggregation, as I said, is bringing the searchers online , get them looking for properties on LoopNet. Because of the critical mass we have built, we have a very efficient model of bringing people on because of the open nature of it in a very simplistic process of registration, we have been able to build a critical mass of searching activity very quickly and substantially larger than any other player. That critical mass then becomes itself a source of significant competitive differentiation. As we've built that much larger online community than anybody else has, it's making it easier and easier for us to then add the end user to the platform and continue to accelerate that.

And the last two are just basically reinforcing the point that this is incredibly fragmented industry. Our role in the industry and our position with the commercial real estate transaction participants is very much as a must have marketing channel, a trusted service provider and partner to the commercial real estate firms in an extremely fragmented industry. That takes a long time to build, it did for us and I think it does for anyone.

And then, lastly -- and this really has to do with what you would see in sort of a generic classified engines from major internet portal. Our focus on particular vertical markets, commercial real estate, really allows us to aggregate the supply more effectively, and probably even more importantly build a search engine with very specific commercial real estate and very effective in terms of being able to find a property that you want.

So the next several slides basically just demonstrate -- [and] talk about the key operating metrics that we are reporting as a public company in our financial results in terms of delivering on that. So there is really three key metrics that we look at in terms of measuring against our primary goal of bringing the marketplace online. The first is registered users. This is quarter-by-quarter going back to last couple of years, how many people are the registered users who have come on and become transaction participants on the LoopNet marketplace, as I said, ending Q3 just under 1.6 million.

Next is aggregating the supply in the market, so these are the number of available listings that were active as of the last day of the quarter going back in time. So we ended Q3 with 475,000 active listings being marketed on the LoopNet platform. And then, thirdly, is aggregating the demand which is basically people coming on to search for properties and what with measure is something called the profile view.

A profile view is basically when one of our searchers pulls up the detailed full-page property ads in the listing to review it. It really is the best direct measure we have of liquidity in the marketplace meeting supply, meeting demand. The slight dip you can see from Q2 to Q3 basically from 34 million to 33 million profile views per quarter, has to do with two things, one is some sort of normal seasonality in the business that's typically flat, and two, we think we got frankly in a good way, an activity pop around the time of the IPO in June.

So, on the monetization side, the next slide, this is our revenue per quarter going back to the last several years. In Q3 of this year, we did 12.7 million in revenue. And what this slide really highlights amongst the other things, is the steady and predictable growth in the business. The subscription revenue model gives us excellent forward visibility and a very stable revenue stream in terms building the business. The 12.7 million in Q3 was just over 50% growth from the prior year.

This slide basically talks to our adjusted EBITDA which is EBITDA excluding stock compensation, and our EBITDA margins going back to the last several years. So you can see in Q3, just about 6.0 million of adjusted EBITDA for the quarter and with an adjusted EBITDA margin of about 47%. Our goal as a management team right now is to manage the business at about that level, while we continue to invest for growth. And the last slide here is just a financial model that we used to talk about the business. So as you can see, it's a very profitable business model.

The key thing here is, we believe in the core business there is margin leverage available to us. Our management goal is to manage the business within adjusted EBITDA target in the mid to high 40% range, which we think allows us to reinvest in growth. Primary areas of investment right now are trying to drive further growth in the registered user base, so bringing more participants online, adding functionality to the core marketplace, rolling out new product like our recent sale service, and continuing to expand the business.

And those are the slides, so at this point, I am happy to open it up for any questions.

QUESTIONS AND ANSWERS

Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

I don't think I had a slide in there about it. It's available in --

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Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

Yes, so 76,000 was Q3, 71,000 was at the end of Q2, and if you want -- if you want to give me a second at the end here, I can pull up my slide and give it together.

Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

Big picture, we think there is probably north of 20 million transaction participants in United States, and that's inclusive of a couple of million professionals in the market, the license agents and brokers, probably about 8 million investor owners and over 10 million operating businesses.

And we think we can bring them online. So if you kind of look at where we are versus the1.6 million we have got online today, we think we have a long way to go in terms of bringing those transaction participants online. And then, when look at the conversion to the paid subs and the price, we are more focused right now in aggregating the market than we are in optimizing monetization, if you will, but we think there is a substantial ability to feed, convert both paid subs and better line value that we receive with value we are delivering.

Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

They don't. They are very much transactional users. And ,so when we look at people -- we have a large component of what we call transactional user, so people that will be in the market on a periodic basis for one deal, so it might be a tenant looking to lease space, it might be an investor looking to buy a building. It might be a small independent -- like the residential real estate agent who gets one or two commercial listings per year, and will be in the market for commercial marketing while they have that one listing.

So we see a large number of people coming on and off the system in terms of premium membership. They will come on and be registered members and with some long term cycle, so like the average lease length maybe five to seven years, they think those people will be coming in and out of the market.

On an annual basis, they are not all active, you are absolutely right and we would see them to be very active while they are working on a transaction, and then go, in effect dormant for a while and then come back, and that's very reflective of the market overall.

Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

I don't have an exact number for you, but we definitely see people coming in and off -- on and off that and I think one of the things that support from our point of view if you look at the 76 in that regard, is because the model of both aggregating new registered users in the first place and then up-selling them to the paid subscription service, it's so electronic and so efficient even though short-term customers, they might be paid subscribers for six months they are still profitable customers for us.

Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

We do. So if you look right now, the 49.95 list price is discounted to 44.95 if you prepay on a quarterly basis, and we have about 20 to 25% people that pick that option, and it's discounted to 39.95 if you prepay on an annual basis, so we have about 15 to 20% of the people who take that option. And those would tend to be -- if you are a professional in the market, and you know you are going to be in the market using a system full time. You might prepay for years to get a lower rate, if you know you are going to be committed to it.

Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

14 months, yes, across the entire base.

Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

No. Not one month, but we definitely get transaction users that might be on for three to six months, that are working on a deal.

Unidentified Audience Member

You guys own the rights to all the data?

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

Yes.

Unidentified Audience Member

So, I guess what your doing with recent sales, is you're essentially building up the data combined [inaudible]?

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

Yes, we started doing it several years ago, and so what happens [Derek] as a for sale listing comes down from the system. We follow up primarily via electronic means as a listing agent and ask for some very basic information, did you sell or what was the price, what was the closing date. The original listing information had, the marketing description, the active price, the photograph that the broker uploaded, and basically we reference that information as part of the historical transaction record.

So, we started aggregating this information several years ago, and basically go through a cleaning and scrubbing process to kind of organize it, if you will We launched it at the very end of Q1 of this year, we just released a bunch of new counties probably about a week ago. So, I think we are covering right now about 27 states. So it's still in the process of kind of being geographically rolled out.

Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

I don't think so. So our -- we are very much a marketplace company. So Costar Group they describe themselves as a Bloomberg for commercial real estate. And some of you may know them, and their model is very research oriented. So they have got something like, I think it's a 1000 people on staff who are basically researching, building a deep database, rich analytic information, packaging it with a very sophisticated set of software, sale access at a high price point , and kind of top tier it in the market.

We are much more than eBay for commercial real estate, very much a lightweight marketplace model. And so there are additional services we can provide like recent sales, which are a very easy and direct byproduct of operating the marketplace. But we don't ever intend to go hire 1000 researchers and build that kind of information [with that]. Okay, 20 seconds left.

Unidentified Audience Member

[inaudible - microphone inaccessible].

Richard Boyle - *LoopNet Incorporated - Chairman of the Board, President and CEO*

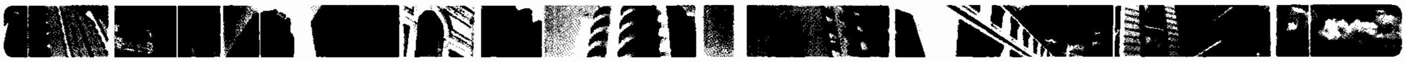
We do Canada today, and we definitely think there is application for the business model internationally. Its not a primary area of focus, mainly because we just think there is a lot of opportunity in North America that we should focus on first. We do think today, you can list properties internationally today. We don't see a lot of it frankly,. it's a very small piece of our business. And we do see some portion of search traffic on an international basis, where people are looking to invest in US property basically. And I am now being told my time is up. So, thank you very much for coming.

Exhibit 10

LoopNet Product Summary

Also available online at http://www.LoopNet.com/pdf/LoopNet_ProductSummary.pdf

LoopNet®



More Listings & Data	More Members	More Markets
$440 billion in properties for sale	Over 2.2 million commercial real estate professionals	Premium Membership is available in every market across the United States and Canada
3.4 billion square feet of properties for lease	ALL of the top commercial real estate organizations	RecentSales is available in more than 900 cities and 300 counties
515,000 listings	Over 1,000 commercial brokerage web sites powered by LoopLink technology	
770,000 sale comparable records, all property types		

LoopNet provides the most effective tools for marketing, sourcing and researching commercial real estate online.

Premium Membership for Professionals

Premium Membership for Professionals enables you to market listings to LoopNet's 2.2 million members. It provides premium placement in search results and access to prospect lists, exposure reporting and more. It also provides immediate access to ALL listings when searching, and the ability to create professional-quality, personalized brochures from search result findings.

Premium Membership for Searchers

Premium Membership for Searchers is designed for commercial real estate professionals who don't list properties, but need advanced searching tools and access to search ALL listings. It also provides the ability to create professional-quality, personalized brochures from search result findings.

RecentSales

RecentSales provides the most cost effective, convenient and timely source for obtaining essential commercial property transaction information. Brokers, investors, appraisers, consultants and other real estate professionals can immediately access hundreds of thousands of sale transaction records on all commercial property types, enabling more efficient pricing and buying decisions.

LoopLink®

LoopLink integrates LoopNet's powerful Branding Links advertising and market-leading Customized Property Database solution. Branding Links builds your brand and attracts prospects by displaying your logo and a link to your web site on every property your firm markets on LoopNet. The Customized Property Database offers a hosted listing service that integrates into your company's web site, allowing prospects to search and view your listings on your site.

Advertising

LoopNet provides direct access to the largest audience of 2.2 million active commercial real estate professionals. With more than 920,000 unique visitors to LoopNet every month, spending an average of 21 minutes per visit, LoopNet.com is the most heavily trafficked commercial real estate web site in the world. No other advertising medium matches LoopNet's exposure to such a specific audience.

PROPERTY TYPES:

- Office
- Industrial
- Land
- Retail
- Multifamily
- Residential Income
- ...and more

WHO'S IN THE LOOP:

- CB Richard Ellis
- Century 21 Commercial
- Coldwell Banker Commercial
- The CORE Network
- Grubb & Ellis
- Marcus & Millichap
- NAI Global
- ONCOR International
- RE/MAX Commercial
- SIOR
- Sperry Van Ness
- The Staubach Company

185 Berry Street, Suite 4000 • San Francisco, CA 94107
888.567.7442 (toll free) • 415.243.4200 (phone) • 415.764.1622 (fax)

REV072407.1

Basic Membership

Also available online at http://www.LoopNet.com/pdf/BasicMembership.pdf

LoopNet®

LoopNet operates the largest and most heavily trafficked commercial real estate listing service online. List, search, market, research and finance commercial real estate properties over the internet. Basic Membership is FREE with registration.

Listing Your Property

Basic Member listings are accessible to almost 10% of LoopNet's audience. Property details, photos and attachments, and contact information can be posted for each listing.

Searching Access

As a Basic Member, you can search LoopNet's extensive database and access approximately 50% of the listings.

- Multiple Search Options
  Conduct focused for sale and for lease property searches by entering specific criteria or keywords.

- Email Alerts
  Save your searches and receive weekly communications that detail properties matching your search criteria.

Why Choose Premium Membership?

Premium Membership is the #1 tool used by leading real estate professionals for marketing and searching commercial properties. The chart below compares benefits of LoopNet's Membership options.

Benefits Comparison Chart	**Basic Membership**	**Premium Membership**	
		Searcher	Professional
Unlimited searching access	Limited	✓	✓
Reporting from search results		✓	✓
Mapping from search results		✓	✓
Reporting from My Saved Properties		✓	✓
Daily email alerts	Weekly	✓	✓
Product discounts		✓	✓
Saved property folders		✓	✓
Listing status	Basic	Basic	Premium
Listing exposure to all searchers	Limited	Limited	✓
Premium placement in search results			✓
Expanded property description search results			✓
Thumbnail photos in search results			✓
Reporting from My Listings			✓
Mapping from My Listings			✓
ProspectList			✓
Exposure statistics			✓
Controlled access marketing			✓
Email a listing			✓
ListingsLink			✓
Professional Profile			✓

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REV102606.1

Basic Membership Reference Guide

LoopNet®

To help you get the most out of your Basic Membership, this guide reviews the features available to you and provides click-by-click instructions on a few of these features.

SEARCH FOR PROPERTIES FOR SALE OR FOR LEASE

STEP 1 Click “Search Properties” and click “Search For Sale” or “Search For Lease” button.

STEP 2 Select a property type or types. Enter your criteria and click “Search”.

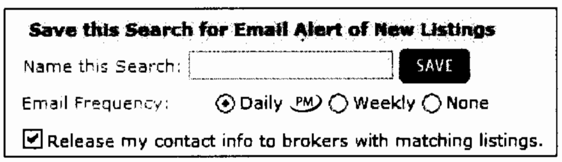
STEP 3 For a more focused search, click the “More Search Options” link at the bottom left of the page.

TIP You can sort listings by clicking a column name and you can save listings by checking the box to the left of the properties and clicking “Save Properties”.

CREATE EMAIL ALERTS

STEP 1 Conduct a property search.

STEP 2 In the saved searches box at the top of your search results, name the search you would like to save.



STEP 3 Select how often you would like to be notified of the latest listings that match your search criteria and click “Save”.

ADD A LISTING INCLUDING PHOTOS AND ATTACHMENTS

STEP 1 Click “Add Properties” and select the property type that best describes your listing under the “For Sale” or “For Lease” section. Click “Go”.

STEP 2 Enter all property and contact information and submit your listing.

STEP 3 From the confirmation page, click “Add Attachments” to add any photos or other attachments to your listing.

STEP 4 Select the attachment type, enter a “Description” and “Browse” for the file you wish to upload. Click “Submit”.

BASIC MEMBERSHIP BENEFITS

- **Basic Listing Exposure**
  Basic Member listings are accessible to almost 10% of LoopNet’s audience
- **Basic Searching Access**
  When searching LoopNet, you will have access to approximately 50% of the listings in the database

BASIC MEMBERSHIP FEATURES

- **Multiple Search Options**
  Conduct a focused search by entering specific criteria or keywords
- **Email Alerts**
  Save your search and receive weekly email alerts for property matches
- **Photos and Attachments**
  Add photos and other attachments to your listing

Exhibit 11

Premium Membership for Professionals

Also available online at http://www.LoopNet.com/pdf/PremiumMembership.pdf

LoopNet®

LoopNet's Premium Membership for Professionals provides commercial real estate professionals with maximum exposure for their properties, access to more information, lead lists and improved listing and searching tools.

Maximize Listing Exposure

Premium Membership for Professionals optimizes your listings by making them stand out with premium placement in the search results and expanded property descriptions, immediately exposing them to more than 2.4 million LoopNet members. No other commercial real estate listing service can compare. Alexa and comScore Media Metrix, the leading sources of internet audience measurement, both identify LoopNet as the leader for commercial real estate internet traffic.

- Alexa ranks LoopNet.com #1 in the world for commercial real estate traffic.
- comScore Media Metrix ranks LoopNet.com #1 in commercial real estate traffic with 915,000 unique visitors every month.

Access ProspectLists and Professional Tools to Market Your Listings

Generate a list of qualified leads and send customized emails to market your listings with LoopNet's Premium Membership for Professionals. And there's more... produce high-quality brochures, plot multiple properties with satellite imagery technology, or view exposure statistics on your listing.

Why Choose Premium Membership?

Premium Membership is the #1 tool used by leading real estate professionals for marketing and searching commercial properties. The chart below compares benefits of LoopNet's Membership options.

Benefits Comparison Chart	Basic Membership	Premium Membership	
		Searcher	Professional
Unlimited searching access	Limited	✓	✓
Reporting from search results		✓	✓
Mapping from search results		✓	✓
Reporting from My Saved Properties		✓	✓
Daily email alerts	Weekly	✓	✓
Product discounts		✓	✓
Saved property folders		✓	✓
Listing Status	Basic	Basic	Premium
Listing exposure to all searchers	Limited	Limited	✓
Premium placement in search results			✓
Expanded property description search results			✓
Thumbnail photos in search results			✓
Reporting from My Listings			✓
Mapping from My Listings			✓
ProspectList			✓
Exposure statistics			✓
Controlled access marketing			✓
Email a listing			✓
ListingsLink			✓

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Exhibit 12

LoopNet, Inc.
Jefferies 4th Annual Internet Conference
February 27, 2008

<<Unidentified>>

We're going to continue with our next presenting company LoopNet. LoopNet is a provider of commercial real estate listings online, and we're very happy to have with us today Richard Boyle, Chairman, President and CEO. And with that I'll pass it on to Richard.

<<Richard Boyle, President, Chief Executive Officer and Chairman of the Board>>

Good morning everyone, I'm Rich Boyle, Chairman and CEO of LoopNet. So I'm going to spend a few minutes this morning giving you a quick overview of the business from the top down and then leave a little time for Q&A at the end to answer any questions you have about the business and the current market conditions. So as we jump into this, I'll make sure I can operate the Powerpoint presentation.

So LoopNet is an online marketplace serving the commercial real estate industry. Basically what that means we do is aggregate the supply that's in the market, these are currently available listings. Aggregate the demand that's in the market, people looking to buy buildings or tenants looking to take down space and help the two fight each other more efficiently than they can in the offline world. This is still an industry that operates primarily in the offline world, from a marketing and searching point of view. For example on the marketing side, it's classified ads, it's signs on buildings, it's print brochures in the offline world. And we think by bringing that online we can make the market operate more efficiently, thereby creating value for our users.

A couple of key background points about the commercial real estate industry as we see it. The first is the mental image people typically have of commercial real estate industry is the classic high-rise office space in a downtown major metro like here in Manhattan. That's a segment of the industry that we serve very well, this is photograph of the MetLife building not too far away from here and it's an agent marketing space for lease in that building on LoopNet. However the vast majority of the industry on a units basis is dominated by little tiny properties scattered all over the country, not the high-rise Class A office buildings that you would typically see in a place like Manhattan.

The medium asking price of a for sale investment property on LoopNet is a little under $1 million, and our sweet spot is really the long tail of small properties that are out there all over suburban America. With this little 5,000 square foot property in Omaha being a good example. Our business model really lets us address that, that the industry from a marketing and searching point of view including that long tail of small properties. The other key point of background is that there is no multiple listing service in the commercial real estate industry.

So in basically every major market outside of New York, on the residential real estate side, single-family homes for sale, the electronic database of currently available properties is the multiple listing service. It really adds tremendous amount of efficiency to the market, the MLS does not exist in the commercial space. So one way to think about what we're trying to do is recreate that functional equivalent of a multiple listing service, the database of current availabilities to help the market operate more efficiently.

Agents typically spend something like $500 to $2,500 per property to market their listing in the offline world. The majority of those dollars are going into the offline world. It's newspapers, it's signs on buildings, it's direct mail or other print that get mailed around to individual mailing list that the agents are aware of. We're in the very early stages of we believe of that marketing spend moving online. And ultimately that's a big portion of the industry that we intend to change, disrupt and bring on to our platform.

This is a quick example highlighting our view of our solution versus that offline competition. So this is classified ad that ran in The San Francisco Chronicle a couple of months ago for an investment property in Sunnyvale. And you can kind of tell, you know if you're an investor looking for commercial property to buy, this is a 40 unit apartment building in Cupertino and you can call the agent his phone number is in there. Running that ad in The San Francisco Chronicle would cost you about $445 per week or close to $1,900 a month.

This is the exact same property being marketed on LoopNet by the exact same commercial real estate agent. Now it's so much information, I realize it's kind of difficult to see from the back of the room. But you can see the agent uploaded the basic information about the financial profile, they uploaded the marketing description, the uploaded, in this case multiple different photographs of the building that the agent took. We do geo-code the address and we append some of additional data like aerial imagery and demographic data and assess our parcel maps to further image the data. But fundamentally it's a user generated content model. The agent can put therefore a much richer set of information about that property.

We're delivering to them we believe a better marketing result than any of their other marketing channels and it's all directly measurable, because it's online they can see every click that we deliver to them, every profile that we generate from them and we show them exactly who they came from. And we're doing that for $90 a month, and this case this agent had – last time I looked he four active listings on the LoopNet platform. So it's an effective rate about $22 per listing per month. So in our view it's a dramatically different value proposition both from a time point of view, from a marketing results point of view and from a cost efficiency point of view as compared to their offline alternatives.

So now I'm going to spend a little bit of time giving you some more detail about our product mix and where we make our money. So the core product is really the listing service. The marketing and searching service we provide to the industry, it's the foundation of everything we do. The page service there is called Premium Membership, which accounted for about 77% of our revenue in Q4 of last year. So I'll go through that

in a little bit of detail in a just a second. But very quickly before I do that I'll describe the other four products that are in aggregate, the remaining 23% of revenue.

LoopLink is private labeled version of our search engine that we put in somebody else's website. So if you go to cbrichardellis.com and you click on available properties, that's our technology that powers that website. RecentSales is a database of past transactions or comparables. It's a new service that we launched a little over a year ago. What we do is one of four sale listing comes down from LoopNet, we follow up and find out what happened. Did it sell, what was the price, what was the closing date? We merge that back with the marketing information and we sell it for an incremental $30 per user per month.

BizBuySell is a marketplace of operating businesses for sale. And again think long tail here. These are small restaurant properties, where the owner of the restaurant is selling the operating business possibly with, but possibly without the real property. They may have been out on the building; they're selling the operating business itself. We acquired the business a couple of years ago. And then lastly is our advertising revenue, and these are basically related party – related service parties to the industry. So for example, a furniture rental company advertising office furniture for rent in front of the tenant, searching on LoopNet. It's a very small piece of the business today. But we think as the platform continues to build scale it'll become more and more important over time.

So now let more go into the Premium Membership service in a little bit more detail. So the way Premium Membership works is we give away a limited functionality version our service for free that you can use to market properties you want, you can have as many free listings on the system as you want, you can leave them on as long as you want. You can come and search as much as you want for free, you just have some functional limitations on both sides. At the end of the day if you're marketing for free you're going to get less exposure for your market, for your listings, and you won't have access to sort of our professional tool kit to help you drive more demand and track where it's going and generate reports for the owner you're working for.

If you're searching for free you have limited access to the information in the system and again you don't have access to a professional tool kit on the platform. So basically the free service on the searching side, again gives you limited access to information. You could become a paid premium member on the searching side for $50 a month, get enhanced access to information and access to a whole tool kit to help you find, map, report on, generate information about the properties that you're interested in.

And the Premium Membership is essentially targeted at the end of the day to the more professionals in the market. If you're a tenant rep agent or a professional investor looking for buildings to buy, that's really who the professional subscription service is targeted towards. If you're a tenant that's searching for office space for lease and you're just simply trying to get educated about the market, but you don't necessarily need to see everything that's there, you can use the free service.

On the marketing side, the way it works is you could again list for free and you can have as many listings as you want on the system for as long as you want for free, but you just simply get limited marketing exposure. And the point of the free service on both sides is we again view most of the activity in this industry still operating in the offline world, the services are our aggregation factor. It lets us go to somebody either on the searching side or the listing side and say, come into the online world, try LoopNet for free, we'll convince you of the value proposition over time.

So you could put your listing on for free, and get good exposure for it, you could become a paid premium member marketing listings and you get roughly about three times as much marketing exposure for your property and access to a whole set of tools to help you drive incremental demand, track the demand you're getting, generate reports and information about the demand you're getting.

Premium Membership cost 89.95 per user per month for the base subscription fee. We actually moved last quarter to a volume based pricing component, so the 89.95 is for up to four active listings as you go above that, it basically scales up, additional fees per listing per month. And then in addition to that, the next thing that we're doing on the marketing side is increasingly offering our agents a variety of per listing up sells, where they can choose to spend more money and have it directly correlated to better marketing results for their property.

So the idea here is, for example we have a product called Showcase, which when a agent has a – a listing that their marketing on LoopNet, they can pay an incremental fee and it's averaging right now about $40 per listing per month, and it really does things. It guarantees them the top search results slots on the LoopNet for that property type, which means it translates to more exposure on LoopNet, and it distributes that listing out through the newspaper partnership network that we acquired last fall when we bought a company called Cityfeet.

It's roughly about 120 websites for news papers like The New York Times, The Wall Street Journal, The Boston Globe, The Chicago Tribune, The LA Times, it's a real fantastic set of online newspaper partners. So the agent marketing and the property can pay this incremental marketing fee, get the top slots for the LoopNet search results page, get their listings syndicated out through our online partnership network for additional marketing exposure.

So all in, as I said Premium Membership was about 775 of our revenue last quarter, and that's spilt roughly about 55% of that came on the marketing side from people paying for the premium listing capability, and about 45% of that came on the searching side, people paying for the premium searching capability.

So this slide just basically gives you a quick overview of the sales and marketing model at the company. It's a very efficient process. We tend to run about 18% to 21% of revenue on spend on sales and marketing. Last quarter for example I think it came in at about 17.9%, that's excluding stock base comp. It's very much driven by a network

effects at this point, meaning leveraging the scale we've already built in the marketplace. So over half of the new users that are coming on to LoopNet and registering to use it for free, come to us via organic means, meaning free or unpaid search, word of mouth or direct referral, a viral marketing hooks that we build into our platform.

We hope that the newspaper partnerships that we just picked up will begin to help that further as well. So it's a very efficient process for bringing people on to the platform and then once they're on the platform, converting them to paid subscribers is also very efficient. Over half of our subscription sales happen to be a credit card, or a user response to an electronic message from us in self upgrades. The remainder is basically a telesales force we have in San Francisco.

So ongoing growth in the company. Our primary objective right now is to continue our aggregation strategy. We're going to continue to give away our free service as the primary means by which we get people to come on to the platform for the first time. We think we're about 20% of the way done in terms of aggregating industry activity. The deals that are out there every year, in terms of what's on our platform right now. The monetization that we're executing on right now is basically going very well. The new pricing model on the marketing side in particular. Our users are responding very well to having the options to basically align their marketing spend with the marketing result that we're delivering to them. Adding additional information services, again like our sales service that we launched a little over a year ago.

We think as a byproduct of operating this marketplace as we get more and more scale, we can take market information like past transactions and market trends, provide back into the industry as a value added service, and then last as we continue to build scale in the industry, bringing more of the search side traffic, again the tenants looking for office space is an example, we think we become a more and more attractive advertising platform for related party advertisers.

So the next few slides just walk through some of our top level operating results and financial results. I'll go through those and then we'll it up for Q&A at the end of the meeting here. So registered users are people that have come on and registered to use LoopNet for free. We ended the year with about 2.5 million registered users. It was up a little over 40% on a year-over-year basis.

And you can see ongoing solid growth in terms of our aggregation of the industry participants. Supply side aggregation is active listing at the end of the quarter. So these are listings that the agents marketing on LoopNet reaffirmed every 30 days that, that listing was still active. We ended the year with about 610,000 total active listings. About 50,000 of those were in the business for sale platform, the remaining 560,000 were in the commercial real estate platform, and that was about 20%, I think 21% year-over-year growth.

The next is the demand side aggregation, which is what we call a profile view. This is when one of our searchers calls up the full page property ad from one of our listers. It

happened about 35 million times in Q4 and as you can see Q4 came down slightly from Q3. There are two things going on there. One there is some seasonality in our business, Q4 tends to be the slowest. So historically you can kind of see that Q3 to Q4 is relatively flat. However this year it was directly impacted by the credit crunch, specifically what's going, and we talked about this in our Q3 earnings call last fall and our Q4 earnings call about two weeks ago.

Basically investors looking for buildings to buy. That segment of the market on our system has slowed dramatically. The growth rate was about 2% on a year-over-year basis in Q4. It has been running at about 30% on a year-over-year basis in the first half of '07. And essentially the debt market turmoil is what's causing that to happen. Investors that were using leverage to buy a building are effectively out of the market right now. And until some liquidity returns to debt market, we expect that's going to continue. Meaning, if you're an investor that was counting on using debt to buy a building, you can't get a loan right now, you're simply not interested in buying a building.

And furthermore even if you were an investor who is non-leveraged or low leveraged and have a loan in place, there's basically a bid-ask spread problem in the investment market right now, where buyers are looking at sellers and essentially saying, your asking price reflects the cheap debt that was available in the summer of 2007, which is gone, we want you to lower your asking price. The sellers at this point are not interested in doing that, so there's a bit of standoff in the market.

So that impacted both our operating results during Q4 as well as our subscription sales to that segment during Q4. However we had a great quarter, and it's really driven in large part by the marketing side of our system going very, very well. So revenue for the quarter was about $19.6 million, it was up about 40% on a year-over-year basis. For the full year we generated a little over $70 million in revenue, it was up about 46% on a year-over-year basis.

We generated about $34 million in EBITDA excluding stock comp for the year. And basically the EBITDA margins and EBITDA for the quarter was about 9.4. This is EBITDA excluding stock based compensation. $9.4 million for the quarter, again up a little over 40% on a year-over-year basis. $34 million for the year, up about 46% on a year-over-year basis. And the blue line on this chart is basically the adjusted EBITDA margin, which was running at about 48% during the year last year, which was essentially right where we told people we're going to be managing the business too. We have an adjusted EBITDA, a target margin range in the mid to high 40% range. During 2007 it was running at the high end of that, again close to 48%. So it's a very nice margins business.

And this is basically the financial model. You can see it's a high gross margin business. Again we've spent historically about 18% to 21% of revenue on sales and marketing, 8.5 or so on technology and product development. G&A right now is a little bit higher than I think it will be in the long-term. We're still – we were in the back half of last year, finishing the process of getting SOX compliant and a few things like that about being still

a relatively young public company. But again the adjusted EBITDA margin came in at about 48% for the quarter.

And our guidance for this year, we gave on our Q4 call. We do think the industry conditions, particularly this demand side problem for getting debt in the market is impacting our business. We're seeing solid growth on the marketing side and some headwinds on the searching side. So we guided to the mid point of our range was about 20% top line revenue growth for the year, and the mid point of our range on our margins basis was about 45% on an adjusted EBITDA basis.

And that actually concludes the formal presentation. So I'm happy to open it up for questions at this point.

Q&A

<Q>: [Low Audio], looking at those from the seeker's perspective as well as the advertiser's perspective?

<A - Richard Boyle>: Sure. So the question was how we're differentiated from competition in the market. Basically the other providers in the market, there's kind of a couple of buckets. There's the offline world is what we very much view as the primary competition. There is – in the online world there is the major Internet portal playas, like eBay has a commercial real estate category, for example it's got 300 listings compared to our 500,000. There is some small regional and local players that tend to be kind of hangovers from the dot com era, but nobody with any national footprint. And then the last company, CoStar Group basically they describe themselves as a Bloomberg for commercial real estate, they focus on kind of big properties in the big major metros. Have about a 1,300 person research staff, gather a bunch of deep data about that, package it with a bunch of sophisticated analytics and so access it at a very high price point. So think Bloomberg terminal. We're much more of an eBay for commercial real estate. It's a user generated content model. It's an open marketplace, so anybody can come on and search, not just the paid subscriber at the high end of the marketplace. So we're used as a marketing platform by the agents as opposed to a research and analytics platform. Nobody else on the – in the industry has anything close to the demand side traffic we deliver because of that open marketplace model. And because of the user generated content model on the supply side, the margin structures are very, very different. We're a much more profitable business than a research based business model.

<Q>: Can you talk about the macro conditions and what's going on how that's impacting your business? Can you talk about what's going on since you reported Q4 as the said as been very active? Are you seeing any impacts on that in January, February?

<A - Richard Boyle>: Yes. Unfortunately not much. So the question was about sort of the macro conditions that are going on in the industry, particularly as it relates to the debt markets. How that's impacting the industry overall. The – I'll try to give a condensed version of this, and so my best. But basically what happened last fall, and in particular in

August, literally the mortgage backed securities markets just froze. And it was driven on the residential side, but it took commercial with it. In fact I read the other day that January of '08 was the first month in 20 years where there has been zero commercials max – zero commercial mortgage backed securities issue. The market is literally just dead. Now that's not the majority of how building purchases will be financed on LoopNet. It would probably be a relatively small portion. But when you move down into kind of really what's our sweet spot which would be the small properties, again sub-million dollar investment properties that are typically financed more by say a community bank that's going to put out a portfolio loan on a 30 year fixed basis et cetera, even that segment of the market has slowed dramatically. And we believe it has a lot to do – and it slowed in Q4 and in our view it has not gotten any better. And as we put together our expectations for 2008 frankly, we haven't assumed it's going to get better. But those small community banks are essentially, as we view it, even though the fed has lowered rates, they're not writing loans and we think at the end of the day it has a lot to do with their underwriting criteria has indeed gotten tighter. But even qualified investors that can get one of those loans, in theory. The banks are just simply not issuing those loans while they try to go through the process of sorting out what's on their books. What is their overall ratio of debt to assets? Are they over extended? Are they kind of out over their skis a bit and do they need to pull back? In fact there was a New York Times article that I was just reading this morning on this very topic and – so the debt is just simply not there right now. There is just no liquidity in the debt market in any significant way or certainly as compared to what's it's been by a historical norm and certainly as compared to the first half of '07. So what that's doing is anybody that's a buyer that was planing on using debt, just simply can't get it and so they're basically sitting on the sidelines right now. Then further complicating matters is anybody who is a buyer who isn't using debt or has another source of capital or is low leveraged and therefore can get one – get something in the form of a loan, is again looking at the sell side basically saying, well your asking price is too high, because it's reflecting the cheap debt at last summer, won't you lower your price. And by the way I think we're in the early stages of a recession, so your pro-forma financials are too rich, I want you to lower your expectations in terms of a higher vacancy rate of lower rental rate and therefore [indiscernible] your asking price substantially. The sellers on the other hand are looking at them saying, well in fact I've got a cheap loan, I've got a low vacancy rate and a high rental rate in my building right now, so I'm covering my debt service. I'm no hurry to sell and I'm not changing my asking price. So there is this sort of bid-ask spread that's got the markets kind of locked at the moment. And we haven't seen any change at all in that, in the early quarter. The fed has lowered interest rates a lot. As an effective matter, if you have anything other than a small conforming loan in the residential market, I don't think interest rates of actually loans have really changed very much. If you have a non-conforming loan in the residential market, they haven't changed, if you have a commercial loan they haven't changed very much. And my hope is that that'll start to work itself out. But again we haven't assumed that that's chang to any significance so far.

<Q>: Could you maybe breakout or talk about the, maybe trailing 12 month active users on the site? Isn't that getting at your addressable up-sell potential more so than registered users?

<A - Richard Boyle>: Yes. So we think the right measure is to think about in terms of operating activity or the listing in the profile views. Basically the listings being, the active listings at the end of every quarter, the profiles being the direct measure of search activity. We don't breakout the difference segments of active users. Basically the 2.6 million is total registered users over time. comScore reports this right now running at about 1 million units per month., and that number is up a little bit on a year-over-year basis, and that's kind of the population of the people coming to the website. On the marketing side, the listing growth of about 20% on a year-over-year basis, the revenue per listing is up about 20% on a year-over-year basis. So that's kind of the monetization in the marketing side. The searching side is where it's basically flat right now, because of the industry conditions that we just talked about. And I think the assumption we have right now is the marketing side is continuing to look very strong to us and the searching side is going to continue to struggle until we get some debt liquidity back in the market.

<Q>: [Low Audio]

<A - Richard Boyle>: Yes. So the question was given a relative weak demand environment, why don't we lower our searching price to try to build more demand in this the system at the end of the day?

<Q>: [Low Audio]

<A - Richard Boyle>: Yes, sure. At the end of the day we do have the zero cost option there. And so the alternative for us, you know somebody comes on and searches for free on LoopNet and we think we're delivering very, very good value to them. Now, and the people right now on the investment side that are not buying the paid service because they're not interested in buying a building right now, they're still using our free service. We think their usage volume is a little bit mitigated because they're not, they are sort of watching the market as opposed to actively looking for a building to buy. But they are not refusing to buy our paid service because the price is not right, lowering the price doesn't change their behavior. They're not buying – and they tend to be pretty transactional in nature anyway. They buy the paid service while they're actively looking for a building to buy, when they're done they go back to using our free service, we kind of see them come and go on regular basis. And those people, the price – it's not a question of whether the price of $49 is too much, it's just a question of they're not interested in buying a building right now. But that said, when they are active in the market, the professionals whether it's a tenet rep agent on the leasing side or an investor looking to buy building on the investment on the investment sales side, the $50 per month is a de minimus amount. They're not concerned about price is not a barrier to their purchase decisions. The side-by-side existence of the free service delivers good value and we don't expect the non-professionals in the market. For example, a tenant looking for office space for lease. We've never expected those guys to be professional subscribers. It's kind of our equivalent of a consumer audience. We expect them to search for free. The monetization there is not direct, the monetization in indirect, that's the audience that the Asian want to market to. So the agents on the marketing side will be paying us to get exposure to those

people. So our view is that the mix right now, again it is being impacted by industry conditions, we've talked very openly about that. We've included how we think that impacts our business and our guidance for this year. But we think changing price right now isn't going to change that. It's the dynamics in the world off of our platform that's driving that behavior.

<Q>: Yes it's a quick question, apologies if you mentioned this, I missed it. What's the churn on your premium membership?

<A - Richard Boyle>: Yes, the monthly churn historically has been 3% to 5% per month. We're running slightly above that right now and I'll talk about it more in just a second. So the 3% to 5% per month, over half of that churn results from these transactional users that in and out of the market for one deal. They've been very stable in that range for a long period of time. What drives the variability is both seasonality, Q4 tending to be our slowest quarter and when we've made pricing model changes in the past it causes it to move around a little bit. In Q3 of last year we came in we came in at the top end of that range. In Q4 of last year we actually came in slightly above that range. And we gave our guidance for the year, we expect our cancellation rate this year to be between 4.5% and 6.5%. And again it's these by-side investors that are in effect taking a pause from the market right now that are driving that.

<Q>: On the residential side, who in the online world do you think is doing a good job and do you have interest in going to that sector?

<A - Richard Boyle>: Who do I think is doing – I mean I think it's an interesting market dynamic for those guys right now. We have no interest in that segment. At the end of the day we view ourselves as a marketplace company, building the supply and demand and bringing them together. Our view of the online residential real estate, and I'm talking the kind of online media companies as opposed to say like a online brokerage firm like ZipRealty, so Move.com as opposed ZipRealty for example. And in our view what the residential real estate market, the online companies do is basically the MLS is the actual database of everything that's available and that's owned and operated and controlled by the Board of Realtors. What the online companies do is basically license the MLS data, put it in their website, build an audience for it and try to monetize it via a different advertising and legion revenue streams. Some interesting business models in there, but that's a small fraction of what we do. What we're really trying to do at the end of the day is recreate that equivalent of the MLS itself. And we don't think moving into the residential market would attractive to us because we can't differentiate by building the core asset which is the listings database. The MLS already has done that and already controls it. I think there are some interesting businesses. I think companies like ZipRealty that are trying to change how the brokerage industry works in the long-term are going to have a significant impact, it's a tough market right now for anybody in residential real estate. Companies like Move.com because of their relationship with the National Association of Realtors have massive traffic in some unique assets. I think there is some private companies like Zilo [ph] that are taking some different approaches to how to build

the consumer audience and then monetize it, that look kind of interesting. There was I think one – sorry go ahead.

<Q>: [Low Audio]

<A - Richard Boyle>: Yes. So the question was about our advertising revenue streams, kind of what we're doing there. It's still a very small piece of the business in an actually revenue generation point of view. What we do in the advertising side is there is really two pieces to it, one is some of the per listing kind of up-sells that individual agents would undertake. The other would be related party service providers, again like the furniture rental company, a mortgage broker, et cetera. Essentially what we're doing right now is we think the fundamental guiding function is still we need a larger audience. But beyond that we've been looking at building different ad product into the platform. We're still investing in trying some different end product. So for example, what ad formats placed where in our site with that monetization models. Is it a CPM, is it a CPC, is it a cost per lead type of model? I'm trying to figure out for different types of service providers, mortgage brokers for example seem very comfortable with the cost per lead type of model. Some of the other advertisers like a furniture rental company like the CPM type of model. I think it sort of depends on who you're talking to on the advertising side. We're looking at what's the right implementation process for that. Is it something we want to partner, rent, build ourselves, et cetera? So I would describe it still as early days. In our '08 expectations we have not assumed that anything material changes in terms like a percentage of revenue from where it's been in the past.

<Q>: Could you talk a little bit about the portion of traffic that is not free to the site. What are you seeing there in terms of the pricing dynamics, especially on the search side? We're hearing that there are some pockets of weakness, call it, in pricing of key words, is that what you're seeing as well?

<A - Richard Boyle>: I don't know if I would call it pockets of weakness, I would definitely say the key word pricing in our vertical is not increasing at nearly the same rate as it was say a year ago. It was – and I – rough guess 30% year-over-year increase during '06 and '07, it wasn't nearly like that. It is – so if you look at where our users come from, again over half of it is organic traffic that we don't have to pay for on a per user basis. The bulk of the remainder, paid search advertising is our biggest source. It's a fantastic marketing channel for us. We literally measure every click we buy and you can calculate whether you're getting a positive ROI on somebody that you drove to your site and as long as there is a positive ROI, you save, spend more and the – I think cost per click in '07 really didn't go up very much. But it went up a little bit and in '06 it had been going up quite a bit more than that. The yield out of it from our point of view is still very, very good. So we're pretty comfortable with it. All that said, the commercial real estate industry at the end of the day, and this impacts our business both ways, is just is just simply not as aggressively in the online world when it comes to paid search advertising. If you look at the mortgage, brokering, residential real estate industries, or some of the other verticals that are out there, the cost per click in the paid service side is very, very

high as compared to what it is on the commercial real estate industry, which we don't mind.

<A>: We have time for about one more question. I can –

<A - Richard Boyle>: So one more.

<Q>: [Low Audio]

<A - Richard Boyle>: I'll pick my words carefully here. The question was about some legal activity between ourselves and another company in this space. We filed a lawsuit in November of 2007 alleging that a competitor is in violation of our terms of use copying listing from our platform to enhance their own business, we don't allow competitors to do that. That same competitor filed a lawsuit against us a couple of weeks ago, basically alleging that we can't count, that are registered user numbers are inaccurate and we are somehow falsely representing those to the world. We obviously don't agree with that. And I probably won't go into too much detail, because it's a pending litigation.

<Q>: [Low Audio]

<A - Richard Boyle>: Ours was filed in November of '07, theirs was filed on the day of our earnings call, a couple of weeks ago.

<Q>: Let me ask the final one. You mentioned the shift from offline to online and I think in our minds is kind of that the classifieds segments is a little more mature in that kind of – in that cycle. How do you see that? Where are we in terms of the penetration?

<A - Richard Boyle>: Yes. The – we think the other verticals are quite a bit ahead of commercial real estate industry. And if you look at it as compared to say the most – the closest comparable would be the residential real estate industry in our minds. And the difference there is multiple listing service had already aggregated all of the listings data. So when those companies started to go on to the Internet in the mid '90s, for example Homestore now Move, they licensed the MLS data in bulk and put it on the website over night, started building their consumer audience for it. So they've had a ten year run with all of the listings data already there to build the audience and kind of build the marketplace. In our case, because there was no multiple listing service the industry was absolutely still on the offline world, we've had to gradually build that both supply and demand over time. And so like I said we think we have about 20% in the industry aggregated, the offerings on the market, on our platform at this point, but it's substantially behind residential, it's substantially behind online travel, it's substantially behind jobs, a lot of the other market verticals.

<A>: Thank you very much.

<A - Richard Boyle>: Thank you.

Exhibit 13

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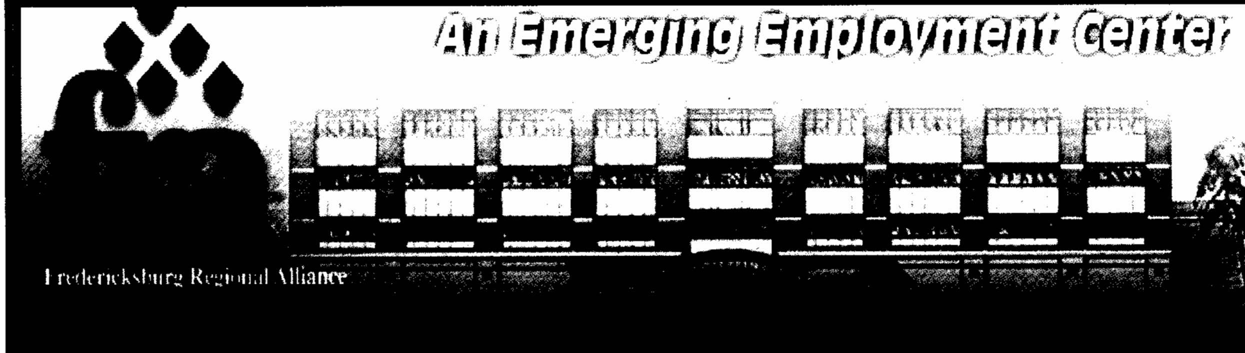

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Exhibit 14

TECHNOLOGY BIT BY BYTE

OCT 1, 2007 12:00 PM

A decade ago, talk was that the Internet would revolutionize retail real estate. Back then, the feeling was that it was just a matter of time before online shopping killed the traditional shopping mall. A host of online retailers and services popped up, raised tons of capital and then went bust. Besides Amazon.com and eBay.com, most of those sites have long disappeared.

But while the Internet did not destroy the mall industry, it has changed things. In one of the most exciting developments, more mall companies are adopting software that enables customers to virtually shop every store at a mall from home and then come to the property to actually pick up their wares.

That's not all.

In one piece, we look at a host of emerging sites that enable investors to peruse potential property acquisitions online. New Google-like search engines and listings are streamlining the process through which investors find developments. Traditional brokers are still involved and many have embraced this technology. Photos, site plans, trade area data and more are available at a buyer's fingertips. As these sites are continually enhanced — with 360 degree property views, virtual tours and more — online trading of properties should only grow.

Similarly, the art of site selection is becoming more of a science as reams of data become more accessible. Web sites and software suites offer retailers and developers drive time maps, demographic data and projections, lists of competitors and much more. Providers are continually adding new features.

We also look at how one developer has revolutionized the way it presents its properties to retailers. Using FlashPaper, W/S Developments turned all of its meetings at this year's ICSC Spring Convention into virtual, interactive presentations. Maps, trade area data, site plans and more are dynamically generated and available through its new presentation system.

In the next few pages, *Retail Traffic* provides a look at four technologies that are having an impact on the retail real estate industry. We hope you find it useful.

Mining Site Data Online

By Beth Mattson-Teig

More and more, real estate professionals and investors are relying on the Internet to research prospective acquisitions. Those that log on find a mountain of information, encompassing listings, customized analysis, graphics and even help to navigate through the data.

LoopNet and CoStar remain the dominant players in the online listings market. As of June 30, LoopNet's (**www.loopnet.com**) online property database contained more than 515,000 properties, with more than $440 billion in commercial and apartment real estate for sale — including about $88 billion in retail properties.

CoStar's (**www.costar.com**) inventory of 2.4 million commercial real estate properties contains about 290,000 for-sale listings, of which approximately 52,000 are retail or include a retail component. Those numbers are staggering when you consider CoStar entered the retail market just last year with the release of its new Retail Dimension, a service used for acquisitions, development and site selection.

The two sites alone draw millions of registered users. LoopNet reports having more than 2.2 million registered users.

Still, both LoopNet and CoStar continue to roll out new products and services with additional features that provide more value for users. For example, LoopNet's RecentSales service delivers sales comps on commercial property transactions across the United States.

"This service now incorporates LoopNet's full mapping suite, including bird's-eye imagery in most major metropolitan areas," says Thomas P. Byrne, chief marketing officer at San Francisco-based LoopNet Inc.

CoStar's maps and aerials allow users to display a wealth of market information, including traffic counts, street names, retail properties by name, retail properties by type, parcel boundaries, and more viewed a layer at a time or in a composite displaying up to 10 layers of market information.

"With these information overlays, CoStar's online aerial images go far beyond a 30,000-foot view of centers and retail complexes," says Michael Griffin, director of retail sales at CoStar Group Inc. in Bethesda, Md. Users can view tenant rosters displayed by location across the center's rooftop either as end cap or in-line. The building outline is also digitally highlighted, featuring frontage location and length for a more accurate perspective.

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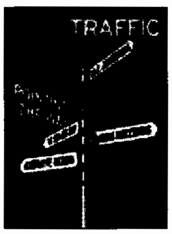
Jun 04, 2008 10:58 AM

Struggling shopping center operator Centro Properties Group, one of the most high-profile victims of the credit crunch, remains afloat as its creditors this week extended the Melbourne-based listed property trust a lifeline by giving the firm a six-month extension to pay down $2.5 billion in debt. It now has until December 15 to come up with the funds.



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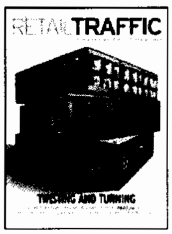

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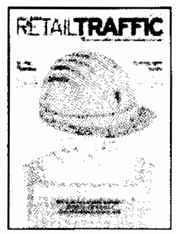

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Exhibit 15

SunTrust Robinson Humphrey℠

A Division of SunTrust Capital Markets, Inc

Transaction Processing

June 05, 2007

Andrew W. Jeffrey, CFA
415-217-6807
andrew_jeffrey@rhco.com

Jack D. Ancich
415-217-6808
jack_ancich@rhco.com

LoopNet, Inc.

Rating: **Buy** Price Target: **$31.00**

Estimate Bias: **Up** Risk Rank: **High**

LOOP: Aggregating A Fragmented Physical Market. Initiating With A Buy.

Initiating Coverage

Summary

- We are initiating coverage of LOOP with a Buy rating and a $31 12-month target price. It is our opinion that LoopNet is the leading aggregator of physical world commercial real estate data in a comprehensive, efficient, low-cost network. As a result, organic revenue growth should benefit from a virtuous cycle, whereby more relevant market data proliferate, bolstering its value to principals and agents. This should drive viral member and revenue growth while erecting high barriers to entry.
- We believe the market for commercial real estate data and listings has historically been highly fragmented, in stark contrast to the efficient market for residential real estate. Rather than relying on traditional word of mouth, LoopNet allows agents to create detailed listing descriptions and post them on an increasingly relevant network at attractive price points.
- LoopNet's appeal extends beyond its market efficiency, in our view, as the company offers a low-cost alternative to traditional classified advertising. An agent can market an unlimited number of properties for a low monthly fee, contrasting with newspaper-based advertising, which contains very little information and can cost several hundred dollars per month.
- It is our opinion that LoopNet has reached critical mass in terms of total members, the bulk of whom are currently non-paying principals. This strong principal growth increases the network's value to agents, the majority of whom are premium members. We believe this improving value proposition will be a critical organic revenue growth driver as the company benefits from more traffic and meaningful pricing power.
- We project that LoopNet will sustain significantly above-average long-term organic revenue growth with impressive operating leverage and remarkable FCF ROIC. These factors should support a valuation premium.

Fundamentals		**FYE - Dec**	**2006**	**2007E**		**2008E**	
Price (Jun 05, 2007)	$20.50	EPS	Actual	Old	New	Old	New
52-Week Range	$21.70-$10.48	1Q	$0.06A	NA	$0.11A	NA	NA
Mkt. Cap. (mil.)	$840.5	2Q	$0.09A	NA	$0.12E	NA	NA
Shares Out. (mil.)	41.0	3Q	$0.09A	NA	$0.12E	NA	NA
Float (mil.)	24.5	4Q	$0.13A	NA	$0.13E	NA	NA
Avg. Daily Trading Vol. (000)	NA	**Year**	**$0.40A**	**NA**	**$0.49E**	**NA**	**$0.59E**
Book Value/Share	$2.37	P/E	51.3x		41.8x		34.7x
Dividend/Yield	$0.00/Nil	EV/EBITDA	32.0x		22.8x		17.0x
ROE	26.1%	Revenue (mil.)	$48.4	NA	$69.3	NA	$93.9
Cash & Equiv (mil.)	$98.15	Operating Margin	43.7%	NA	42.0%	NA	41.0%
Debt/Cap.	0.0%	Mean EPS	NA	$0.46	$0.46	$0.57	$0.57
Est. 5-Year EPS Growth	40%	**Short Interest (000)**		**Estimate Changes**		**2007**	**2008**
Convertible	No	5/07	1004				
Major Index Membership		4/07	1107				
		3/07	1088				
		2/07	1000				

PLEASE SEE IMPORTANT DISCLOSURES STARTING ON PAGE 15

Comments

We are initiating coverage of LOOP with a Buy rating and a $31 12-month target price. We believe LoopNet is well positioned to deliver on the promise of a massively scalable, fast-growing, high-barrier network model serving a huge, highly fragmented market. Our aggressive price objective reflects the company's disruptive technology and bullish business-model considerations.

We contend that the power of the Internet is being harvested by innovative, differentiated companies which are rapidly transforming traditional physical world business models into more efficient online paradigms. This model is particularly attractive when the end market being aggregated is huge and slow to change. These attributes offer market leaders long growth runways and ultimately high barriers to entry. Reaching critical mass is the key pre-requisite for sustainable long-term above-average organic revenue growth, and we believe LoopNet has achieved this.

In LoopNet's case, critical mass is defined by the value proposition offered to commercial real estate agents, who have historically participated in inefficient markets where listings are conveyed via word of mouth and alternative advertising venues are expensive and offer little specific property information. While the company is relatively early in its growth, and has aggregated just 10-15% of the market by its measure of active listings, we believe rapid and accelerating principal growth will bolster the network's value, driving increased traffic and higher prices. **These are the dynamics fueling viral expansion and potentially accelerating revenue growth, in our opinion.**

In addition to sustainable above-average long-term organic revenue growth, we note that LoopNet's model is highly scalable. As a result, growing traffic, which leads to higher revenues, should be spread over a materially fixed cost base, sharply driving down incremental costs. This is another key attribute of disruptive Internet-based technologies.

We assert that LoopNet will enjoy strong long-term operating margin and FCF ROIC expansion, even if the company invests more heavily over the next few years to augment its formidable barriers to entry and competitive advantage. We submit that a sustained period of exceedingly high returns, and EPS growth well in excess of revenue expansion, will support a significant relative valuation premium.

Large Opportunity In A Highly Fragmented Market

The commercial real estate market is dominated by small businesses which change hands in a relatively inefficient environment, at least compared with residential real estate. Some of this inefficiency is likely created by the lack of a centralized repository for property and transaction data. While this aspect of the commercial real estate industry differs materially from the residential market, transactions are brokered much like residential transactions. In other words, the market is served by brokers and agents representing real estate sellers and buyers. As a result, this similar market structure lends itself to a more aggregated and efficient environment, which we believe is being rapidly and wholeheartedly embraced by participants eager for more efficient transactions and greater velocity.

We view LoopNet as having staked out a meaningful leadership position in a large, fragmented market which has traditionally been dominated by an inefficient, outmoded physical world construct. The US commercial real estate services industry generates approximately $26 billion in annual revenue, according to market-leader CB Richard Ellis (NYSE: CBG, NR). **Despite a recent spate of consolidation, it remains highly fragmented, offering an opportunity for LoopNet to consolidate listing information that is not readily available in an efficient fashion. While the largest participants can leverage relatively more efficient internal information networks and word-of-mouth marketing, smaller companies do not have this advantage. In addition, we believe even the larger companies have relatively imperfect information as there has heretofore existed no common repository or exchange. This is LoopNet's core value proposition, in our view.**

We encourage investors to recognize that the top-four commercial real estate companies represented about 21% of the 2006 commercial real estate services market, as measured by revenues. While many of these large firms are LoopNet customers – and they constitute a meaningful proportion of the company's premium members – it is our opinion that the highly fragmented "long tail" of the market is the company's primary focus. Although the largest companies constitute a meaningful portion of the market, in terms of revenues and sales volume, they represent a significantly smaller proportion of total agents.

To further illustrate the highly fragmented nature of the commercial real estate market, we encourage investors to recognize that the market leader, CBRE, advised on 6,200 real estate sales transactions in 2006, representing a total value of $73.9 billion. If we assume that the other three largest companies advised on a proportion of transactions similar to their revenues (i.e. their average transaction size was roughly consistent), the big-four accounted for about

$115 billion in total transaction volume. The National Association of Realtors (NAR) reports that total 2006 domestic commercial real estate volume was roughly $307 billion, meaning that the big-four held a 37% share, in volume terms. **Despite their relatively significant revenue share – and their even larger volume share – we believe the top-four commercial real estate firms employ less than 5% of the industry's total agents and brokers. This leaves the enormous "long-tail" of the market at LoopNet's disposal.**

We can employ the foregoing observations to more accurately size LoopNet's opportunity. While the company reports that there are 2.6 million US real estate professionals, the NAR estimates that approximately 75% of these are involved in residential real estate. We eliminate these people as potential LoopNet customers. This is a conservative assumption, however, as most large residential real estate companies also offer some small amount of commercial services. This leaves roughly 650,000 commercial real estate agents and brokers as the company's core premium member base. We believe agents and brokers will be the primary drivers of LoopNet's revenue, although the company believes about 40% of its total premium members are principals. We will address this opportunity in a moment.

As previously mentioned, we believe less than 5% of the nation's commercial real estate agents and brokers work for the big-four companies. We also assume that the big-four are more highly penetrated than the rest of the market. If, for example, the big-four, which by our estimate represent no more than 26,000 agents, are approximately 30% penetrated, this means that they represent 7,800 premium members. This would constitute roughly 9% of LoopNet's total premium member base of 84,500. If we further assume that about 60%, or 50,700, of the company's premium members are agents, the big-four would comprise 15% of the company's broker and agent premium member base. **From these calculations, it follows that LoopNet has penetrated just 7% of the total agent and broker market, outside of the big-four companies.**

We project that the company can drive long-term non-big-four agent and broker penetration to 30%, a level consistent with nominal saturation in other online markets. This implies a total market opportunity of approximately 187,000 premium members, in addition to a potential big-four agent market of at least 10,000. This would compare with LoopNet's current agent and broker premium member base of about 55,000. If we make no assumptions for pricing increases – which we believe will play a significant part of the long-term growth story, as we will discuss later in this report – this implies a potential agent revenue base of about $137 million.

This market size estimate looks meaningfully conservative, however, and intentionally so, as we try to demonstrate the early stage of the company's opportunity. To understand this, we encourage investors to note that LoopNet currently has two million total registered members. Of these, all but 84,500 are currently non-paying members. The company estimates that roughly 40% of its non-paying members are agents. By this measure, the company already has relationships with about 768,000 agents. This exceeds our estimate of the entire commercial real estate agent market! From this, we infer that LoopNet's appeal extends beyond traditionally defined commercial real estate agents.

If we assume that LoopNet can ultimately take penetration of its total current member base from approximately 4% to 10%, this implies a potential market consistent with our conservative bottom-up analysis. In other words, the company could boast about 187,000 premium agent members. The potential market would obviously be much larger if the company can continue rapidly expanding its total member base.

Turning back to the potential principal market, the Small Business Administration estimated in 2002 that there were 5.7 million operating businesses classified as employers, and an additional 17.6 million classified as non-employers. This is a huge potential market for LoopNet to address, although we acknowledge that monetizing it could be more difficult than monetizing the agent market. That said, LoopNet estimates that approximately 60% of its non-paying members are principals. This implies about 1.15 million non-paying principals, or just 5% of the total market. Of these 1.15 million, only about 2.9% are actually paying members. So, if we assume that LoopNet can take penetration of the total principal market from 5% to 15% (reflecting the fact that only a portion of this total market is actively seeking to move or expand at a given time), and that it can convert 10% of this market to paying members, its total principal premium member market opportunity would be about 349,500. Again, at current pricing, this would imply a total market opportunity of approximately $155 million. **We submit that this is also a base-line estimate, however, in light of the network's growing value proposition, ongoing pricing power and likely service enhancements aimed at inducing non-paying members to convert to premium services.**

In summary, we believe this conservative, detailed analysis supports our view that LoopNet can grow subscription revenue at a 30% annual rate over the next five years. If the company can achieve our relatively conservative penetration targets over this time – without raising prices – it could generate subscription revenue of $300 million. This would compare with our 2008 subscription revenue estimate of $72 million.

Figure 1: Compelling Five-Year Market Opportunity

Baseline Potential Listing Market Opportunity		
Total 2006 US Commercial Real Estate Transaction Volume ($ in millions)	$307,000	
Estimated "Big-Four" Volume Share - (CB Richard Ellis, Cushman & Wakefield, JLL, Grubb & Ellis)	37%	
Total Real Estate Agents (000s)	2,600	
25% Commercial Agents (000s)	650	
4% Employed by Big-Four (000s)	26.0	
Assumption: 30% LoopNet Penetration Of Big-Four (000s)	7.8	
Total LoopNet Premium Members (000s)	84.5	
Assumption: 60% of Premium Members are Agents (000s)	50.7	
Implied Big-Four Share of Premium agent customers	15%	
Non Big-Four Agents (000s)	624	
Implied Non Big-Four Represenation (000s)	42.9	
Implied Non Big-Four Share	7%	
Assumption: 30% Non-Big-Four Long-Term Penetration (000s)	187	
Total Agent Market Opportunity (000s)	197	(1)
Current Average Listing Member Monthly Pricing	$58.00	(2)
Total Agent Market Opportunity ($s in thousands)	**$137,251**	
Baseline Potential Searching Market Opportunity		
Total Small Businesses, 2002 (000s)	23,300	
Total Basic Members (000s)	1,919	
Assumption: 60% Basic members are Searchers (000s)	1,151	
% of total potential principal market	5%	
Total Premium Members	84.5	
Assumption: 40% of Premium Members are Principals (000s)	33.8	
% of Non-Paying Search Customers	2.9%	
Assumption: 15% penetration of principal market (000s)	3,495	
Assumption: 10% Premium penetration of principal market (000s)	350	
Current Average Searcher Member Monthly Pricing	$37.00	(3)
Total Searcher Market Opportunity ($s in thousands)	**$155,178**	

(1) Assumes 10 million long-term Big-Four agents
(2) Assumes 60% lister representation within Premium member base
(3) Assumes 40% principal representation within Premium member base

Total Baseline Potential Subscription-Based Market Opportunity ($ in thousands) ***$292,429***

Source: CB Richard Ellis, National Association of Realtors, Small Business Administration, SunTrust Robinson Humphrey estimates and company data.

LoopNet's Value Proposition: The Power Of A Network

As we have previously discussed, the commercial real estate market remains highly fragmented and inefficient. Most transactions are conducted offline, in a physical world environment which relies heavily on traditional advertising and word of mouth. This creates excess costs for agents, in our opinion, who need to spend time and money marketing their properties. It also results in meaningful inefficiencies for principals, who often have insufficient information to make informed decisions and can waste time researching and visiting poorly suited properties.

LoopNet changes this market dynamic meaningfully, in our opinion. The company's core value proposition is the ability to bring together principals and agents in an efficient, low-cost, information-rich environment. Value to the agent lies in significant cost savings and much more complete listings, compared with traditional marketing channels, like newspapers. The principal benefits from more complete information and the ability to screen properties without leaving his chair.

While this sounds good in theory, the key is creating a network characterized by principal demand sufficient to induce agents to spend money listing available properties. This goal is often accomplished only with great time and expense, and it requires striking a happy medium between charging for a new service and offering principals enough inventory to

whet their appetite. We believe LoopNet has achieved this initial value proposition for both buyer and seller, as evidenced by the strong steady growth in total members.

Although we will ultimately focus on premium member growth – as this is the company's key revenue stream – we note that the sharp sustained increase in total members speaks to the network's value proposition. The company has clearly offered enough content to drive volume, which we believe will result in a virtuous cycle by which a growing number of paying agents will use the service.

The foregoing is the definition of a network growth model, in our opinion. A true network growth company is one offering a strong value proposition to buyers and sellers. In addition to being observably valuable, this offering must be directed at a market which has historically operated with significant intrinsic inefficiency. So, a network growth model's success relies on creating a strong underlying value proposition and orienting it so that it can alleviate a market's significant pain point. Other key criteria include a large addressable market which is highly fragmented. This allows sufficient long-term growth potential for a company to scale.

Network growth models have many attractive investment characteristics, in our opinion, once they achieve critical mass. They effectively take on a life of their own. This tendency is often referred to as a "viral" effect. In other words, at such point that a network attracts sufficient buyers – commercial real estate principals in this case – the sellers begin to appreciate the value proposition and offer more inventory. They also become more willing to pay for the service, boosting the network's economics and ultimate scalability. The result tends to be a period of significant market share gains and corresponding above-average sustainable organic revenue growth. This compelling dynamic represents a network's ability to aggregate a market in a new medium, culminating in accelerating adoption. It is not unusual to see organic revenue growth accelerate from an already-high level when these models gain significant critical mass. We contend that LoopNet has gained such critical mass and should sustain impressive organic revenue growth, if not outright acceleration.

Evidence of the network's critical mass can be observed in the fact that listings have grown from 239,000 at the beginning of 2004, to 526,000 at 1Q07, a 30% CAGR. Measured another way, the company had 500,000 unique visitors per month in 2005, and this measure rose to 880,000 in March, 2007. Finally, profile views continue their torrid growth pace, reaching 38.3 million in 1Q07, up 35% from 1Q06. Monetization of this strong traffic growth is now the company's chief objective.

In addition to sustainably high organic revenue growth, network models often build significant competitive advantages and materially high barriers to entry. Once a network reaches critical mass, users' switching costs rise rapidly. It is difficult to amass a database sufficiently robust to drive a critical mass of traffic. As a result, once a seller has found a network with a compelling value proposition, he is likely loathe to take the chance of leaving. While it may be easier to entice a buyer to try a different network, he will often return upon discovering that the alternative offers comparatively less selection or incomplete data. **In this regard, the value of a network model literally resides within the network, itself. Once built, it is challenging to replicate because it is difficult for users to imagine greater value elsewhere. Indeed, comparable value likely does not exist in other networks, because the original has efficiently aggregated a market which heretofore operated in a significantly less efficient fashion.**

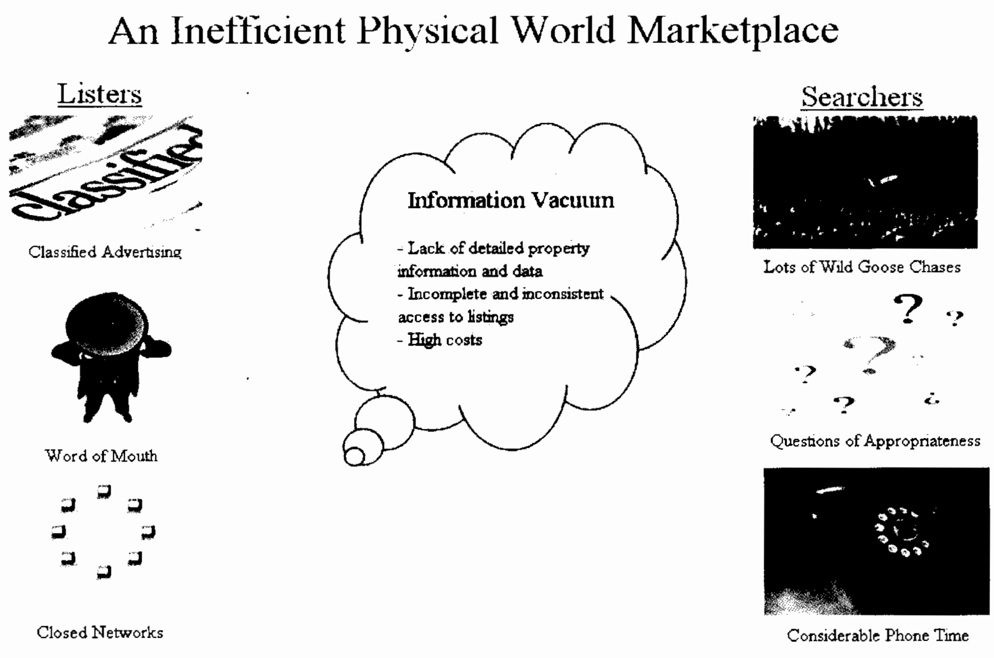
User-created content is often another differentiating attribute of network models. This is true of corporate-oriented networks, like DealerTrak (OTC: TRAK, NR) and ChoicePoint's C.L.U.E. network (NYSE: CPS, Neutral). It is also a primary attribute of Ebay's (OTC: EBAY, NR) auction and PayPal payments network. The primary advantage of user-created content is that it can add value for buyers without the network operator having to incur a cost. Instead, the network operator needs to maintain the integrity of the network while enhancing the overall value proposition through service, data and transactional enhancements. This attribute also materially differentiates some networks from others.

Consider LoopNet's primary nominal competitor, CoStar Group (OTC: CSGP, NR). CoStar purports to offer a solution similar to LoopNet's. It is a commercial real estate database aimed at increasing overall market efficiency. A primary difference between CoStar and LoopNet, however, is that the former relies on nearly 1,000 employees to collect, assimilate and sell data on properties in a market. This is time intensive, expensive and not always accurate. It also puts the onus of content value on the network operator, rather than on the user. Finally, there are certain commercial real estate markets, like San Francisco, in which one company controls a meaningful share of the available property for lease and will not share details with a third party because it extracts no value from content it already possesses. **These shortcomings point up the value of LoopNet's user-created content model, in our opinion. We will discuss the competitive landscape in more detail later in this report.**

In summary, we submit that LoopNet has built a virtuous network model capable of sustainable, materially above-average organic revenue growth with significant competitive differentiation and barriers to entry. This

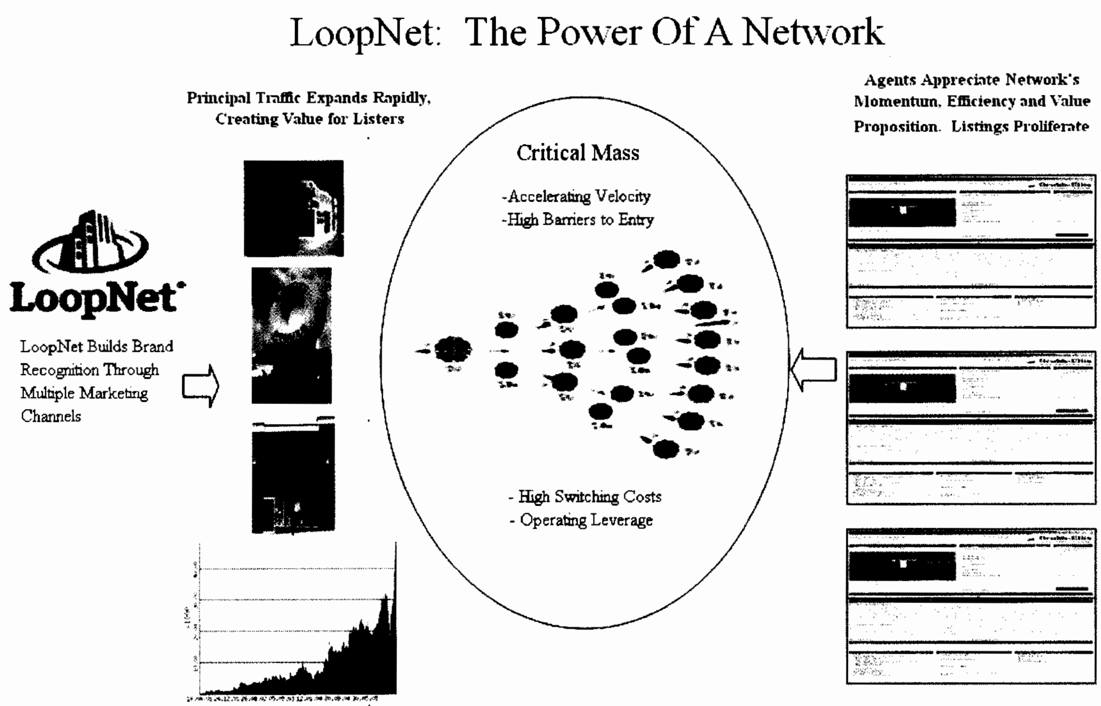
network has achieved critical mass, and is poised to continue aggregating the large, fragmented physical-world commercial real estate market while generating impressive free cash flow growth and returns.

Figure 2:



Source: Company reports and SunTrust Robinson Humphrey materials.

Figure 3:



Source: Company reports and SunTrust Robinson Humphrey materials.

Pricing Power And Improved Conversion Rates Should Accompany High-Value Offering

We estimate that LoopNet will generate approximately 80% of its revenue from premium member subscriptions in 2007. As a result, the company's ability to convert basic members to premium members will be critical to its long-term sustainable organic revenue growth. As previously mentioned, the company currently boasts just over two million total members, of which 84,500, or 4.2%, are paying premium members. This ratio has fallen from 5.3% at the beginning of 2005, resulting in divergent growth between total and premium members. Total members have grown 150% since 1Q05, while premium members have expanded 101% during this period. **While this strong total member growth is important as it contributes to the network's critical mass, LoopNet will continue focusing on improving its conversion rate, as this will be the key driver of future revenue growth.**

Although it is our opinion that LoopNet will continue driving conversion improvement, we view higher prices as a more realistic near-term revenue growth driver. LoopNet currently offers two pricing tiers for its premium members, one for property listers and one for searchers. Listers pay $69.95 per month for unlimited property listings, and searchers pay $49.95 per month for full searching functionality. Each category offers an option for premium members to pay quarterly or annually, resulting in cost savings of 10-20%, compared with the monthly billing rates.

Premium members enjoy several advantages, including access to all listings and exposure to the maximum number of searchers. LoopNet's site continues offering considerable value to free members, too, although they receive less frequent email updates on their listings and searches, and do not have access to all content. For example, property listings submitted by basic members can only be viewed by premium members. Similarly, basic members can only view listings posted by premium members. In addition, premium members receive enhanced placement of their listings and superior mapping and property reporting functionality.

We believe LoopNet will continue refining and improving the functionality of its offering to add value for premium members. In 2006, for example, the company introduced a sophisticated interactive satellite mapping feature, enhancing members' ability to search for and view listings. In addition, the company has added enhanced information on recent sales, driven by transactions initiated on its site, as well as from third-party data sources.

It is our opinion that this improved functionality, coupled with the inherent value created by ongoing strong principal growth, will facilitate conversion of basic members to premium accounts and will also afford LoopNet considerable pricing power. Pricing power should result from LoopNet's ability to demonstrate the value of its network to listers and searchers, and it should also result from the company's ability to increasingly segment its pricing. As we've described, the company's current pricing structure is essentially flat, with the exception of prepaid discounts. It is our opinion that LoopNet will increasingly add more tiers to its pricing, reflecting broader and more nuanced functionality. We can envision the company offering a premium "light" service, for example, or beginning to charge more aggressively for featured listings or enhanced searching capabilities. Consequently, higher prices will likely reflect explicit increases and greater segmentation.

As previously mentioned, we contend that pricing increases will be the most important driver of LoopNet's ongoing strong revenue growth, at least over the next several quarters. We estimate that the number of premium members will grow 23% in 2007 and 17% in 2008. This would compare with 37% growth in 2006. It is clear from these projections that we do not anticipate a meaningful conversion ratio improvement for the foreseeable future. While this may prove conservative, it would be consistent with the recent trend toward decelerating premium member growth. By contrast, however, we believe the company will enjoy ongoing strong price increases, driven by the aforementioned factors. The average price of a premium membership was $45.74 in 2006, up 5.5% from 2005. In 2007, we estimate that the average premium membership price will rise 9.7%, and then another 7.5% in 2008. We saw evidence of these faster prices increases in 1Q07, as premium membership pricing rose 10.5%, versus 1Q06. **We estimate that a combination of growing premium members – albeit at a decelerating rate – and strong pricing increases – will yield at least mid-to-high 30%s organic revenue growth for the next several years.**

Figure 4: Strong Member and Pricing Growth Outlook

	2005A	2006A	2007E	2008E
Total registered members	**1,117,700**	**1,766,508**	**2,702,757**	**4,054,136**
Y/Y % change	NA	58.0%	53.0%	50.0%
Premium registered members	**57,461**	**78,952**	**97,299**	**113,516**
Y/Y % change	NA	37.4%	23.2%	16.7%
Conversation Ratio	**5.1%**	**4.5%**	**3.6%**	**2.8%**
Avg. monthly price of premium membership	**$43.35**	**$45.74**	**$50.19**	**$53.96**
Y/Y % change	NA	5.5%	9.7%	7.5%

Sources: Company reports and SunTrust Robinson Humphrey.

New Revenue Streams Offer Promise Of Increasingly Diversified And Sustainable Growth

As previously discussed, LoopNet generates roughly 80% of its revenue from premium membership subscriptions. We believe this will continue as the most important component of the company's long-term revenue stream. That said, LoopNet has begun offering newer services, which in addition to bolstering the network's overall value proposition, are emerging as new revenue drivers.

LoopNet offers four services in addition to the broad functionality of its core listing and searching services. We have mentioned RecentSales already. We used it earlier as an example of the fashion in which LoopNet is broadening its core services. Revenue from RecentSales, which is an increasingly comprehensive database of recent transactions, including those initiated on the company's network and culled from third-party data, are generated on a subscription basis and through one-time sales. We can envision RecentSales eventually becoming part of a bundled solution through which the company drives higher premium subscription revenue.

In addition to RecentSales – which we view as being relatively more integral to the company's core marketplace – LoopNet offers LoopLink and BizBuySell. LoopLink is a service marketed to commercial real estate firms allowing them to showcase properties on their websites, in addition to LoopNet. LoopLink can increase a property's exposure by cross-marketing it in more than one online venue. We are intrigued by this service as it facilitates the listing process for commercial real estate firms and takes advantage of traffic naturally coming to their websites. It strikes us that this traffic could be highly complementary to LoopNet, considering the early stage of market aggregation and the company's still-building brand recognition. The company charges for LoopLink on a monthly subscription basis.

BizBuySell is complementary to LoopNet's commercial real estate marketplace. This service facilitates the sale of operating businesses. The company charges $59.95-$99.95 per listing, per month and these listings can be searched for free. BrokerWorks complements BizBuySell. BrokerWorks allows brokers to list an unlimited number of businesses for sale. The company charges a one-time $24.95 set-up fee and a monthly subscription of $39.95. We view BizBuySell as an example of the fashion in which LoopNet is extending its core marketplace to broaden functionality, improve its value proposition and erect additional barriers to entry.

Finally, it is our opinion that LoopNet has a significant online advertising opportunity. The company has begun selling ad space and premium listings to its agent customers. We view this as a logical outgrowth of the strong traffic growth the company is enjoying. LoopNet generated 38.3 million profile views in 1Q07, up 35% from 1Q06's 28.3 million. The company should be able to monetize some of this traffic as it represents increasingly attractive advertising inventory, in our view. While management will likely be careful in the way it pursues online advertising, so as not to distract customers or make the site more cumbersome, this is another potentially meaningful revenue stream supporting our view toward significantly above-average long-term sustainable organic revenue growth.

While revenues from these ancillary services remain relatively modest, we believe they will comprise a growing portion of the company's total. Other revenue represented approximately 17% of the company's total in 2006. We estimate that these newer businesses will generate 21% of revenue in 2007 and 22% of total revenue in 2008. **LoopNet's newer businesses, along with any future acquisitions of complementary functionality, could become meaningful contributors and revenue growth drivers in the next several years, in our opinion.**

Diverse Marketing Channels Support Strong Ongoing Expansion

LoopNet is similar to other network models as the company generates a measurable component of its user growth from word-of-mouth. This marketing channel is generally critical to networks, and is often the only material source of growth before a network achieves critical mass. This is a significant barrier to entry, in our opinion, as it is difficult to persuade users of an effective network to switch, even when there exists a potentially compelling competitive value proposition. LoopNet continues relying heavily on word-of-mouth to generate organic traffic.

In addition to word of mouth, we believe the company is increasingly employing targeted email, outbound telesales and paid search to expand its user base. LoopNet also aggressively pursues basic members to upgrade, via various means on its website. A new basic member will be prompted to upgrade upon registration, and the company serves pop-up ads describing the benefits of premium membership.

We believe the company will continue benefiting from the strong viral effects of a network-based word-of-mouth marketing channel. LoopNet should also fuel strong member expansion from its other channels. By all appearances, the company's paid search and other more aggressive marketing techniques remain relatively efficient. We note that

Sales & Marketing expense was 18.7% of revenue in 2004, 20.2% in 2005 and then declined to 19.6% in 2006. We conservatively estimate that it will rise to 20.8% in 2007 and 21.2% in 2008.

Sales and Marketing expense may continue rising as a percent of revenue while the company builds its network and continues erecting significant barriers to entry. Over time, however, the company should benefit from increased economies of scale and more efficient overall marketing. The ability to scale its sales and marketing expenses will be closely tied to LoopNet's ability to convert basic members to premium services. We will closely track this performance, as improved conversion should result in sharp marketing leverage. **Better-than-expected sales and marketing leverage could be a key driver of upside to our estimates.**

A Fly In The Ointment? Potential Business Model Cyclicality

The commercial real estate market is highly prone to boom and bust cycles. LoopNet readily admits that it has not operated through a complete cycle. The company was too small and immature in the early-2000s for that period to be an accurate measure of how the model performs in a period of falling lease rates and rising vacancy.

This is the primary risk to a LOOP investment, in our opinion. In fact, even the perception of a foundering commercial real estate market – or even concerns regarding a declining residential real estate market – could create meaningful short-term downside risk in the stock. We believe last summer manifested this risk as investors worried about rising long-term interest rates and pondered the depths of the residential real estate correction. LOOP traded off 48% between June, 2006 and August, 2006. Comparable or related industry stocks, CBG and CSGP, experienced 38% and 32% corrections, respectively, during this period.

While we are cognizant of the real and perceived risks of a commercial real estate correction, we contend that a sharp associated correction in LOOP would represent a compelling buying opportunity. Although the company could experience a short-term organic revenue growth deceleration in a slower market, we believe LoopNet's value proposition will win out and could actually result in share gains in a more difficult environment. To understand this counter-intuitive view, we encourage investors to consider that many listers are currently content running dual ads, one on LoopNet and one in the local classifieds. We believe this behavior reflects market inertia and the current outsized returns generated by a hot market. In other words, listers are likely indifferent to paying a significantly higher price to advertise in the local newspaper if it means greater property exposure. They likely figure that this increased reach will maximize their selling price or lease rate. By contrast, however, these listers might rely more heavily on LoopNet's low-cost, high-value network in a soft market, during which the cost of a classified ad might be viewed as prohibitive.

The test of LoopNet's performance in a down commercial real estate cycle will likely hinge on the company's ability to aggregate volume during the current strong market. This observation likely validates the company's aggressive investment in growth. It is our view that by driving sharp total member growth, LoopNet is significantly boosting the value of its network. This investment would likely pay off in terms of greater lister confidence in a more difficult market.

LoopNet believes it has seen evidence supporting this view. In some geographies with softer commercial real estate markets, such as Detroit, management indicates that its business is growing nicely. We believe this relative strength reflects the foregoing dynamic: LoopNet is a significantly more efficient and lower cost channel, compared with traditional advertising channels.

Competition Is Real, And So Are LoopNet's Differentiating Characteristics

As with many models seeking to aggregate a market which has historically operated in a fragmented, inefficient physical world context, the greatest competition often comes from inertia. Changing market participants' behavior and perceptions generally creates the most significant challenges for an emerging network model. This long sales cycle often means a protracted period during which the competitive window remains open and other participants can erect competing models. It also means that traditional providers have time to adapt and improve their value proposition before they are materially disintermediated.

It is our opinion that commercial real estate market participants have begun significantly changing their behavior, as evidenced by LoopNet's critical mass. This inures to the company's benefit, in our opinion, as it is beginning to erect high barriers by virtue of its value proposition. While the stock has performed well – reflecting some of these gains – we believe the market remains sufficiently disaggregated to offer the company ongoing strong organic revenue growth. It also suggests that LoopNet still faces some competitive challenges.

We believe the company's most significant competition continues to be traditional market practices. These include the reliance on newspaper classified advertising and the industry's traditional word-of-mouth communication of listing attributes. Some commercial real estate agents with whom we have spoken insist that most business continues to be conducted in this traditional fashion.. We believe this risk of inertia and clinging to old behavior is mitigated, however, as the company concentrates on the "long tail" of the market. This segment of smaller deals does not possess the same word-of-mouth tradition attributed to larger transactions.

It is notable, in our opinion, that many market participants continue relying on newspaper classifieds, often in addition to LoopNet. The company cites a case in its investor material in which a customer took out a classified ad for a small multi-family property in conjunction with a LoopNet listing. This broker paid roughly $734 for the local newspaper ad, which contained just three lines of information. By contrast, he paid $69.95 per month for his LoopNet listing (and any others he was running at the time). This online listing gave complete property details, including pictures, an in-depth description, aerial maps, demographics, etc. So, while it appears that industry behavior is changing, it is doing so grudgingly.

In addition to traditional behavior, LoopNet faces competition from others seeking to aggregate the market. The company's primary competitor is likely CoStar Group. Although CoStar has a materially deep commercial real estate database, and more listings than LoopNet, we believe many attributes of its model do not make it directly comparable, and likely leaves it at a relative competitive disadvantage. For example, CoStar offers a closed network. In other words, the company posts listings – which may offer information comparable to LoopNet – the details of which it creates through a proprietary process. As a result, CoStar listings are effectively created by the company, rather than the listers. This creates several challenges for the company, in our opinion.

CoStar's model will likely be challenged, relative to LoopNet for the following reasons: 1) research-driven content is expensive and more difficult to scale. CoStar employs nearly 1,000 researchers who are effectively "feet on the street". These individuals are tasked with physically surveying thousands of properties to build the company's database. This labor-intensive model will likely limit the company's operating leverage. 2) the company's closed network leaves it susceptible to significant gaps in markets materially controlled by third parties. For example, in San Francisco one relatively small commercial real estate firm controls the majority of the city's available space for lease. This company has effectively blocked CoStar's access to its database as it views these data as proprietary. In this case, CoStar can "re-invent the wheel" through its proprietary process, but its value proposition to customers is sharply diminished. 3) We contend that CoStar's closed network will make it difficult for the company to achieve LoopNet's virtuous network effect. The primary benefit of user-created content – in addition to its low cost – is that it effectively creates an open-ended market opportunity. This offers ample potential for LoopNet to rapidly aggregate the market, unconstrained by limited data-gathering ability and reliance on proprietary information.

There are also competitors which aggregate data from several sources, including listing agents and multiple classifieds. These companies include Cityfeet.com and PropertyLine International. Again, these are closed network models which rely on third parties for data which often lacks the detail of LoopNet's user-created content.

Finally, there are competitors trying to directly replicate LoopNet's model. The NAR has historically attempted to partner with third-party software companies to create commercial real estate marketplaces. These could conceivably emerge as substantial competitors. We note, however, that LoopNet maintains a material first-mover advantage, suggesting that it can sustain strong organic revenue growth even in the presence of multiple competitors.

Financial Outlook Is Characterized By Strong Revenue Growth And Meaningful Operating Leverage

As previously mentioned, we project that LoopNet will sustain 30%+ organic revenue growth for the foreseeable future. This strong top-line expansion should be fueled by a combination of ongoing conversion of basic members to premium members and meaningful pricing power. In addition, we believe some of the company's ancillary revenue streams could emerge to become more significant contributors.

We estimate that total members will grow 53% in 2007, reaching 2.7 million. Total members should grow another 50% in 2008, to 4.1 million. This would represent approximately 16% of the commercial real estate market's nominal participants, including agents and principals. Such strong growth would likely reflect ongoing benefits from the company's high-value network. By contrast, we project much slower premium member growth, reflecting the relatively lower participation of agents, compared to principals, and the company's desire to bolster the value of its network through near-universal participation. This goal, which should allow LoopNet to erect sustainable barriers to entry, relies on sharply higher principal membership to create a burgeoning value proposition for listers. As a result, we estimate that premium members will grow 23% in 2007, reaching 97,299. This premium base should expand an additional 17% in 2008, to 113,516. This growth would represent a 3.6% conversion rate in 2007 and a 2.8%

conversion rate in 2008. This would be down from 5.1% in 2005 and 4.5% in 2006. The lower conversion rate would result from the aforementioned long-term growth strategy.

LoopNet's revenue growth should remain robust, regardless of lower premium conversion rates. This relatively stronger subscription revenue growth, which we estimate at 37% in 2007 and 34% in 2008, should result from ongoing price increases. As previously described, we believe LoopNet will retain significant pricing power as its value proposition grows, allowing it to explicitly raise prices and increasingly segment its pricing around service levels. We estimate that premium member pricing will increase 9.7% in 2007 and 7.5% in 2008. This growth would follow a 5.5% increase in 2006. It is our opinion that 1Q07 evidenced the beginning of this accelerating pricing growth trend as premium member subscription prices rose 10.5%.

In addition to higher prices, we believe LoopNet will begin harvesting some of its newer businesses, including BizBuySell, LoopLink and RecentSales. We project that these newer businesses will generate revenue of $14.6 million in 2007, up nearly 73% from $8.4 million in 2006. We estimate that these revenues will expand an additional 40% in 2008, reaching $20.4 million. Newer revenue streams could offer upside to our current estimates.

Together with strong revenue growth, it is our opinion that LoopNet will enjoy significant long-term fixed-cost leverage and associated margin expansion. That said, we believe the company will likely continue investing heavily in Sales & Marketing to sustain its strong organic revenue growth. This will likely constrain near-term margin expansion, even as EPS, EBITDA and FCF expand rapidly due to strong organic revenue growth. Over a longer period of five years, however, it should be relatively easy to understand why the company's model is so scalable: it is driven by user-created content and relies on a high fixed-cost IP-based infrastructure.

We conservatively estimate that operating and EBITDA margins will contract modestly in 2007 and 2008 as Sales & Marketing expenses grow faster than revenue. We also believe G&A expenses will continue rising as the company staffs up to sustain and support its rapid revenue growth. We estimate that Sales & Marketing expense will rise from 19.6% of revenue in 2006 to 20.8% in 2007 and to 21.2% in 2008. Similarly, we project that G&A will increase from 16.1% of revenue in 2006, to 16.8% in 2007 and further to 17.3% in 2008. As a result, 2007 and 2008 operating margin should be 42.0% and 41.0%, respectively, down from 2006's 43.7%. We estimate 2007 and 2008 EBITDA margin at 46.8% and 46.5%, respectively, also down from 2006's 48.0%. Despite these lower margins, however, we estimate 2007 EPS growth of 22.5% and EBITDA expansion of 39.8%. In 2008, we project that EPS will grow 20% and EBITDA will rise 34.3%.

As discussed below, we believe LoopNet will sustain five-year organic revenue growth of 30%. This should translate into sustainable long-term EPS growth of 35-40% and annual EBITDA expansion of at least 40%, following a period of more aggressive near-term investment.

Valuation

We are introducing a $31 12-month target price on LOOP. It is our opinion that LOOP will widen its current premium valuation as the company demonstrates the sustainability of its organic revenue growth, considerable operating leverage and a differentiated model which we believe will generate meaningful barriers to entry.

At $31, LOOP would trade at 52.5x our 2008 EPS estimate of $0.59 and at 26.9x our 2008 EBITDA estimate. While these valuation objectives may appear aggressive, we encourage investors to consider that LoopNet maintains impressive organic revenue, EBITDA and FCF growth. As a result, investors should be looking out to 2009 within 12 months, rendering the shares' 2008 valuation less daunting. The average stock in our universe currently trades at 25.9x our 2008 EPS estimate. LOOP would clearly command a meaningful premium at our target price. That said, the company is driving organic revenue growth at least two times higher than the average company in our universe. In addition, the company is currently reporting infinite FCF ROIC, and its prospects for staggering long-term sustainable returns are high.

As we detailed in our May 22, 2007 valuation report, it is our opinion that FCF ROIC is a superior valuation methodology, particularly compared with PEG ratios. The correlation between a company's long-term sustainable FCF ROIC and its stock's enterprise value is statistically significant. As a result, our model predicts that a stock's enterprise value will rise in a non-linear relationship to FCF ROIC. Thus, we believe our target price is justifiable – and could prove materially conservative – if we are correct regarding LoopNet's long-term sustainable returns.

Specifically, we estimate that LoopNet's long-term sustainable FCF ROIC is 87%. This would sharply lower than the company's estimated 2008 FCF ROIC of 902%. LoopNet obviously boasts an incredibly (superlative intended) attractive business model to drive this return. We are particularly impressed by the fact that LoopNet should generate

roughly $27.8 million of free cash flow in 2008 on just $3.1 million of invested capital. This projected 2008 FCF ROIC would actually be lower than our estimate of infinite 2007 returns. LoopNet should generate approximately $21.4 million in free cash flow in 2007, yet the company's current invested capital is $(1.1) million. This is to say that net assets – cash and investments – non-interest bearing current liabilities (NIBCL) is currently negative. Not bad.

We reach our long-term return conclusion via the method described in our May 22 report. We have chosen Paychex (OTC: PAYX, NR), the mature company in our universe with the highest FCF, and assumed that LoopNet will ultimately achieve comparable returns as its model matures. We estimate that Paychex will generate an 87% 2008 FCF ROIC.

To achieve an 87% long-term sustainable FCF ROIC, we must assume that LoopNet's invested capital will grow at a 112% five-year CAGR. We also assume that the company's five-year sustainable organic revenue CAGR will be 30% and that its year-five FCF margin will reach 33%. This FCF margin would be higher than our 29.6% 2008 estimate and lower than 2006's 33.9%. We believe LoopNet's near-term FCF margin will decline as the company invests aggressively for future growth. It should rebound, however, as the company benefits from its strong organic revenue growth and considerable economies of scale.

At an 87% FCF ROIC, our model predicts that LOOP will trade at an approximate 37x EV/IC multiple. This would obviously be lower than the shares' current infinite multiple and its 2008 estimated (not really meaningful) 309.7x valuation. We note that our projected EV/IC multiple is meaningfully higher than PAYX's current 19.3x. We believe PAYX trades below the valuation ostensibly supported by its estimated 2008 FCF ROIC because the market is essentially concluding that the company simply cannot reinvest its significant free cash flow at a constant or rising rate. This is likely a reasonable conclusion, in our opinion, in light of the company's relatively mature end market. LoopNet clearly does not face this challenge, at least in the near term.

This valuation approach implies that LOOP's year-five enterprise value can approach $4.9 billion. We conservatively assume that investors will demand a 40% annual equity return to own LOOP shares. This is well above the high end of our traditional 12.5-30% range, reflecting the company's early-stage model and its potentially cyclical business model. This annual equity return hurdle assumption yields a 12-month equity value of $28.64. We further assume that LoopNet will generate annual average free cash flow of $76 million over the next five years. Discounting this cash flow stream back at 40% generates another $2.42 of value. We contend that this methodology supports our $31 target price.

Risks to our target price include: Business is largely based on a subscription model, and accordingly, any failure to increase the number of customers or retain existing customers could cause increasing pressure. If marketing efforts are ineffective, LoopNet could fail to attract new registered members, which could reduce the attractiveness of their marketplace to current and potential customers.

SunTrust Robinson Humphrey℠
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LOOPNET, INC.
Condensed Annual & Quarterly Earnings Projections
($ in Thousands, Except Per-Share)

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Last Updated 6/5/2007

FY: December	2004A	1Q05A	2Q05A	3Q05A	4Q05A	2005A	1Q06A	2Q06A	3Q06A	4Q06A	2006A	1Q07A	[redacted]	3Q07E	4Q07E	2007E	2008E
Revenues	17,036	6,213	7,261	8,379	9,124	30,977	10,226	11,631	12,707	13,846	48,410	15,515		18,170	19,142	69,335	93,912
Cost of revenues	2,562	872	932	975	1,077	3,826	1,228	1,366	1,421	1,584	5,599	1,780		2,071	2,201	7,968	10,706
Gross Profit	14,474	5,341	6,359	7,404	8,047	27,151	8,998	10,265	11,286	12,262	42,811	13,735		16,098	16,941	61,367	83,206
Operating Expenses																	
Sales and marketing	3,193	1,196	1,445	1,561	2,051	6,253	1,949	2,183	2,776	2,598	9,506	3,259		3,906	3,733	14,414	19,909
Technology and product development	2,686	1,086	939	852	898	3,745	960	1,032	1,146	1,201	4,339	1,350		1,635	1,723	6,194	8,640
General and admistrative	4,889	1,194	1,323	1,582	1,855	5,954	1,478	1,751	2,147	2,428	7,804	2,569		3,107	3,312	11,662	16,200
Total Operating Expenses	10,768	3,476	3,677	3,995	4,804	15,952	4,387	4,966	6,069	6,227	21,649	7,178		8,649	8,767	32,270	44,749
Operating income	3,706	1,865	2,682	3,409	3,243	11,199	4,611	5,299	5,217	6,035	21,162	6,557		7,450	8,174	29,097	38,457
Interest income, net	98	59	87	137	204	487	255	465	1,028	1,138	2,886	1,181		1,415	1,481	5,427	5,658
Other income (expense), net	34	0	7	0	0	7	(2)	0	0	0	(2)	12		12	12	48	48
Pre-tax income	3,838	1,924	2,776	3,546	3,447	11,693	4,864	5,764	6,245	7,173	24,046	7,750		8,876	9,667	34,572	44,163
Provision for income taxes	118	61	77	97	(7,479)	(7,244)	1,899	2,321	2,479	1,852	8,551	3,201		3,666	3,993	14,278	18,239
Tax rate	3.1%	3.2%	2.8%	2.7%	NM	NA	39.0%	40.3%	39.7%	25.8%	NM	41.3%		41.3%	41.3%	41.3%	41.3%
Net Income	3,720	1,863	2,699	3,449	10,926	18,936	2,965	3,443	3,766	5,321	15,495	4,549		5,210	5,675	20,293	25,924
EBITDA	5,660	2,344	2,905	3,639	3,481	12,369	4,874	5,649	5,980	6,722	23,225	7,290		8,382	9,037	32,478	43,629
Free Cash Flow	3,684	2,289	2,602	3,528	10,110	6,491	3,023	3,670	4,325	5,383	16,401	4,809		5,556	5,926	21,440	27,798
Depreciation & amortization	278	104	22	134	146	506	149	152	154	155	610	178		233	263	876	1,172
Cap Ex., PP&E	500	53	313	151	1,054	1,371	207	123	204	625	1,159	461		575	600	2,186	3,250
Cap Ex., acquisition	2,950	0	500	500	0	1,000	0	0	0	0	0	0		0	0	0	0
EPS, fully diluted	$0.04	NA	NA	NA	NA	$0.54	$0.06	$0.09	$0.09	$0.13	$0.40	$0.11		$0.12	$0.13	$0.49	$0.59
EBITDA per share	$0.98	NA	NA	NA	NA	$0.35	$0.46	$0.15	$0.15	$0.17	$0.60	$0.18		$0.20	$0.21	$0.78	$1.00
Weighted average shares outstanding, diluted	5,757	NA	NA	NA	NA	35,092	10,677	37,608	40,324	40,374	38,686	40,974		41,774	42,174	41,574	43,674
MARGIN ANALYSIS																	
Cost of revenues	15.0%	14.0%	12.4%	11.6%	11.8%	12.4%	12.0%	11.7%	11.2%	11.4%	11.6%	11.5%		11.4%	11.5%	11.5%	11.4%
Gross profit margin	85.0%	86.0%	87.6%	88.4%	88.2%	87.6%	88.0%	88.3%	88.8%	88.6%	88.4%	88.5%		88.6%	88.5%	88.5%	88.6%
Operating Expenses																	
Sales and marketing, as a % of tot. revenue	18.7%	19.2%	19.9%	18.6%	22.5%	20.2%	19.1%	18.8%	21.8%	18.8%	19.6%	21.0%		21.5%	19.5%	20.8%	21.2%
Technology and product development, as a % of tot. revenue	15.8%	17.5%	12.5%	10.2%	9.8%	12.1%	9.4%	8.9%	9.0%	8.7%	9.0%	8.7%		9.0%	9.0%	8.9%	9.2%
General and admistrative, as a % of tot. revenue	28.7%	19.2%	18.2%	18.9%	20.3%	19.2%	14.5%	15.1%	16.9%	17.5%	16.1%	16.6%		17.1%	17.3%	16.8%	17.3%
Total Operating Expenses	63.2%	55.9%	50.6%	47.7%	52.7%	51.5%	42.9%	42.7%	47.8%	45.0%	44.7%	46.3%		47.6%	45.8%	46.5%	47.7%
Operating margin as % of tot. revenue	21.8%	30.0%	36.9%	40.7%	35.5%	36.2%	45.1%	45.6%	41.1%	43.6%	43.7%	42.3%		41.0%	42.7%	42.0%	41.0%
Pre-tax margin as % of tot. revenue	22.5%	31.0%	38.2%	42.3%	37.8%	37.7%	47.6%	49.6%	49.1%	51.8%	49.7%	50.0%		48.9%	50.5%	49.9%	47.0%
Net income margin as % of tot. revenue	111.2%	43.4%	47.5%	130.4%	32.5%	50.0%	33.7%	32.4%	41.9%	32.9%	41.9%	31.3%		31.2%	0.0%	37.4%	2.0%
EBITDA margin as % of tot. revenue	33.2%	37.7%	40.0%	43.4%	38.2%	39.9%	47.7%	48.6%	47.1%	48.5%	48.0%	47.0%		46.1%	47.2%	46.8%	46.5%
Free Cash Flow margin as % of tot. revenue	21.6%	36.8%	35.8%	42.1%	110.8%	21.0%	29.6%	31.6%	34.0%	38.9%	33.9%	31.0%		30.6%	31.0%	30.9%	29.6%
YEAR/YEAR % CHANGE																	
Revenues	NA	NA	NA	NA	NA	81.8%	64.6%	60.2%	51.7%	51.8%	56.3%	51.7%		43.0%	38.3%	43.2%	35.4%
Cost of revenues	NA	NA	NA	NA	NA	49.3%	40.8%	51.4%	45.7%	47.1%	46.3%	45.0%		45.8%	39.0%	42.3%	34.4%
Gross Profit	NA	NA	NA	NA	NA	87.6%	68.5%	61.4%	52.4%	52.4%	57.7%	52.6%		42.6%	38.2%	43.3%	35.6%
Operating Expenses																	
Sales and marketing	NA	NA	NA	NA	NA	95.8%	63.0%	51.1%	77.8%	26.7%	52.0%	67.2%		40.7%	43.7%	51.6%	38.1%
Technology and product development	NA	NA	NA	NA	NA	39.4%	(11.6%)	13.5%	34.5%	33.7%	15.9%	40.6%		42.7%	43.4%	42.7%	39.5%
General and admistrative	NA	NA	NA	NA	NA	21.8%	23.8%	32.4%	35.7%	30.9%	31.1%	73.8%		44.7%	36.4%	49.4%	38.9%
Total Operating Expenses	NA	NA	NA	NA	NA	48.1%	26.2%	35.1%	51.9%	29.6%	35.7%	63.6%		42.5%	40.8%	49.1%	38.7%
Operating income	NA	NA	NA	NA	NA	NM	NM	97.6%	53.0%	86.1%	89.0%	42.2%		42.8%	35.4%	37.5%	32.2%
Pre-tax income	NA	NA	NA	NA	NA	NM	152.8%	107.6%	76.1%	108.1%	105.6%	59.3%		42.1%	34.8%	43.8%	27.7%
Net income	NA	NA	NA	NA	NA	NM	59.2%	27.6%	9.2%	NM	NM	53.4%		38.3%	NM	31.0%	27.7%
EBITDA	NA	NA	NA	NA	NA	118.5%	107.9%	94.5%	64.3%	93.1%	87.8%	49.6%		40.2%	34.4%	39.8%	34.3%
Free Cash Flow	NA	NA	NA	NA	NA	76.2%	32.1%	41.0%	22.6%	NM	152.7%	59.1%		28.5%	10.1%	30.7%	29.7%

6/4/2007	$20.50
Market Cap. (Mil):	$840
Enterprise Value (Mil):	$938

Source: Company reports and SunTrust Robinson Humphrey estimates.

SunTrust Robinson Humphrey℠
A Division of SunTrust Capital Markets, Inc.

LOOPNET, INC.
Condensed Annual & Quarterly Balance Sheet
($ in Thousands)

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Last Updated 6/5/2007

FY: December	2004A	1Q05A	2Q05A	3Q05A	4Q05A	2005A	1Q06A	2Q06A	3Q06A	4Q06A	2006A	1Q07A	[redacted]	3Q07E	4Q07E	2007E	2008E
Assets																	
Current Assets																	
Cash and cash equivalents	$5,698	NA	NA	NA	$18,765	$18,765	$24,341	$74,140	$80,581	$85,790	$85,790	$76,817		$86,415	$91,831	$91,831	$114,325
Short-term securities	3,026	NA	NA	NA	3,100	3,100	3,127	3,157	3,202	3,238	3,238	21,329		21,329	21,329	21,329	21,329
Accounts receivable, net	373	NA	NA	NA	529	529	595	761	1,034	1,138	1,138	1,183		1,615	1,702	1,702	3,130
Prepaid expenses and other current assets	257	NA	NA	NA	325	325	270	527	839	1,518	1,518	765		796	812	812	893
Deferred tax assets	0	NA	NA	NA	824	824	824	824	824	402	402	402		416	427	427	461
Total current assets	**$9,354**	**NA**	**NA**	**NA**	**$23,543**	**$23,543**	**$29,157**	**$79,409**	**$86,480**	**$92,086**	**$92,086**	**$100,496**		**$110,571**	**$116,100**	**$116,100**	**$140,138**
Property and equipment, net	487	NA	NA	NA	843	843	930	932	1,012	1,020	1,020	1,334		2,200	2,617	2,617	4,995
Goodwill	1,417	NA	NA	NA	2,417	2,417	2,417	2,417	2,417	2,417	2,417	2,417		2,417	2,417	2,417	2,417
Intangible, net	1,542	NA	NA	NA	1,418	1,418	1,391	1,365	1,339	1,312	1,312	1,286		1,223	1,192	1,192	1,073
Deferred income taxes	0	NA	NA	NA	6,798	6,798	5,002	4,150	2,988	3,083	3,083	2,928		3,091	3,199	3,199	3,455
Deposits and other noncurrent assets	171	NA	NA	NA	158	158	1,134	152	160	287	287	282		298	308	308	345
Total Assets	**$12,971**	**NA**	**NA**	**NA**	**$35,177**	**$35,177**	**$40,031**	**$88,425**	**$94,396**	**$100,205**	**$100,205**	**$108,743**		**$119,800**	**$125,833**	**$125,833**	**$152,422**
Liabilities & Shareholders' Equity																	
Current liabilities																	
Accounts payable	$59	NA	NA	NA	$65	$65	$113	$223	$192	$169	$169	$284		$636	$574	$574	$751
Accrued compensation and benefits	981	NA	NA	NA	1,284	1,284	1,006	1,282	1,527	2,200	2,200	1,350		1,425	1,475	1,475	1,549
Accrued liabilities	595	NA	NA	NA	599	599	1,131	1,061	771	864	864	986		1,041	1,077	1,077	1,207
Deferred revenue	2,532	NA	NA	NA	4,640	4,640	5,589	6,126	6,584	6,969	6,969	8,317		8,781	9,088	9,088	10,179
Income taxes payable	88	NA	NA	NA	16	16	68	1,207	2,406	0	0	737		778	805	805	902
Total Current Liabilities	**$4,255**	**NA**	**NA**	**NA**	**$6,604**	**$6,604**	**$7,907**	**$9,899**	**$11,480**	**$10,202**	**$10,202**	**$11,674**		**$12,661**	**$13,020**	**$13,020**	**$13,685**
Total shareholders' equity	8,716	NA	NA	NA	28,573	28,573	32,124	78,526	82,916	90,003	90,003	97,069		107,139	112,813	112,813	138,737
Total Liabilities & Shareholders' Equity	**$12,971**	**NA**	**NA**	**NA**	**$35,177**	**$35,177**	**$40,031**	**$88,425**	**$94,396**	**$100,205**	**$100,205**	**$108,743**		**$119,800**	**$125,833**	**$125,833**	**$152,422**
Return on Invested Capital	**NA**	**NA**	**NA**	**NA**	**NM**	**NA**	**NM**	**NM**	**NM**	**NM**	**NM**	**NM**		**NM**	**NA**	**NM**	**NM**
Return On Average Assets	**NA**	**NA**	**NA**	**NA**	**NA**	**78.7%**	**31.5%**	**21.4%**	**16.5%**	**21.9%**	**22.9%**	**17.4%**		**17.8%**	**18.5%**	**18.0%**	**18.6%**
Return On Average Equity	**NA**	**NA**	**NA**	**NA**	**NA**	**101.6%**	**39.1%**	**24.9%**	**18.7%**	**24.6%**	**26.1%**	**19.5%**		**19.9%**	**20.6%**	**20.0%**	**20.6%**

6/4/2007	$20.50
Market Cap. (Mil)	$840
Enterprise Value (Mil):	$938

Source: Company reports and SunTrust Robinson Humphrey estimates.

Investment Thesis

We believe LoopNet is rapidly aggregating the commercial real estate listings industry into a highly efficient, user-created-content-driven online marketplace. The company is transforming a market which has historically been characterized by poor information, word-of-mouth marketing and expensive advertising.

It is our opinion that LoopNet's highly-efficient, feature-rich online marketplace meaningfully increases commercial real estate's liquidity and eliminates a significant pain point for buyers and sellers. As a result, the company's organic revenue, profit, free cash flow and return growth should benefit from a viral marketing effect and rapidly rising barriers to entry.

We contend that LoopNet has built a differentiated, competitively advantaged network with a long runway for future revenue growth. We believe the commercial real estate market is in the earliest stages of online consolidation, and LoopNet is the clear leader and chief beneficiary of this powerful trend.

Company Description

LoopNet, Inc. operates an online marketplace for commercial real estate in the United States. Its online marketplace, LoopNet.com, enables commercial real estate agents working on behalf of property owners and landlords to list properties for sale or for lease by submitting detailed property listing information, including descriptions, financial and tenant information, photographs, and property characteristics in order to find a buyer or tenant. As of December 31, 2006, the LoopNet online marketplace contained approximately 460,000 listings.

The company also operates BizBuySell, an online marketplace for operating businesses for sale. As of December 31, 2006, BizBuySell contained approximately 43,000 listings of operating businesses for sale. LoopNet also provides LoopLink, an online real estate marketing and database services suite that enables commercial real estate firms to showcase their available properties both on the LoopNet marketplace and on the brokerage firm's own website using the company's hosted search software. The company was incorporated in 1997 and is headquartered in San Francisco, California.

Analyst Certification

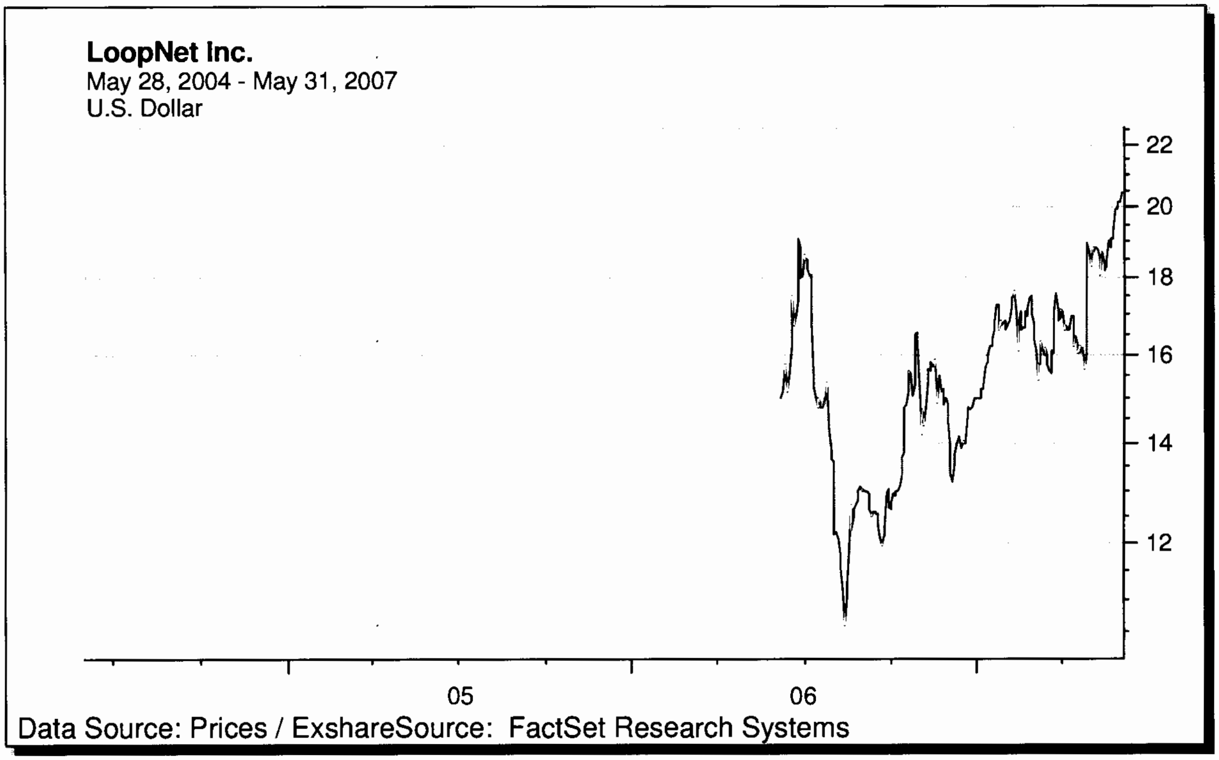
I, Andrew W. Jeffrey, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

- SunTrust Capital Markets, Inc. makes a market in the following companies at the time of this report: LoopNet, Inc.

Analyst compensation is based upon stock price performance, quality of analysis, communication skills, and the overall revenue and profitability of the firm, including investment banking revenue.

As a matter of policy and practice, the firm prohibits the offering of favorable research or a specific research rating as consideration or inducement for the receipt of business or compensation. In addition, analysts and associated persons preparing research reports are prohibited from owning securities in the subject companies.



[redacted]

Date	Rating	Target	Closing
N/A			

On February 27, 2004, STRH implemented its current rating system (defined below). On that date we also reinstated the use of price targets that had been discontinued on December 3, 2002.

Definition of Ratings

SunTrust Robinson Humphrey assigns one of three ratings to stocks covered by our Research Department: **Buy, Neutral, Reduce.**

In addition, we assign a risk rank to each stock based on a combination of fundamental and stock volatility factors:
Low = Low stock price volatility reflected by high predictability of financial results.
Moderate = Moderate stock price volatility reflected by medium predictability of financial results.
High = High stock price volatility reflected by inconsistent predictability of financial results.
Speculative = Greatest stock price volatility reflected by low predictability of financial results.
Venture = Recommended only for maximum risk oriented and well-diversified portfolios.

Our ratings are a function of the risk ranking (higher return expectations for higher risk) and the absolute expected total return (price appreciation plus dividends) that result in our estimated 12-month price target. Please refer to the grid below for additional detail.

Performance Definition Scale

Total return (capital gain/loss + dividends) expected over the next 12 months

Rating	Low Risk	Moderate Risk	High Risk	Speculative
Buy	Over 10%	Over 15%	Over 20%	Over 25%
Neutral	-5% to 10%	-5% to 15%	-5% to 20%	-5% to 25%
Reduce	-5% or Worse	-5% or Worse	-10% or Worse	-10% or Worse

Deviations from expected price ranges/targets due to price movement and/or volatility will be reviewed by the analyst and research management on a timely basis. Price targets are only required on Buy rated stocks; The analyst may choose to have price targets on Neutral or Reduce rated stocks, but it is not required. Action taken by an investor should be based upon their personal investment objectives and risk tolerance compared to a stock's expected performance and risk ranking.

Estimate Bias: While current annual estimates are our best judgment at this time, we assign an "Up", "Neutral" or "Down" bias based on our expectation for fundamental changes over the next 12 months.

SunTrust Robinson Humphrey ratings distribution as of 6/5/2007:

Coverage Universe			Investment Banking Clients Past 12 months		
Rating	Count	Percent	Rating	Count	Percent*
Buy	177	56%	Buy	31	18%
Neutral	133	42%	Neutral	16	12%
Sell/Reduce	6	2%	Sell/Reduce	0	0%

*Percentage of Investment Banking clients in Coverage Universe by rating

Other Disclosures

Information contained herein has been derived from sources believed to be reliable but is not guaranteed as to accuracy and does not purport to be a complete analysis of the security, company or industry involved. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any security. SunTrust Capital Markets, Inc. and/or its officers or employees may have positions in any securities, options, rights or warrants. The firm and/or associated persons may sell to or buy from customers on a principal basis. Investors may be prohibited in certain states from purchasing some over-the-counter securities mentioned herein. Opinions expressed are subject to change without notice. The information herein is for persons residing in the United States only and is not intended for any person in any other jurisdiction.

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ADDITIONAL INFORMATION IS AVAILABLE at our website, www.suntrustrh.com, or by writing to: SunTrust Robinson Humphrey, Research Department, 3333 Peachtree Road N.E., Atlanta, GA 30326-1070

Exhibit 16

Thomas Weisel Partners
EQUITY RESEARCH

November 28, 2007

LOOPNET, INC.
Listings and Membership Growth Positive Indicators

LOOP (11/28/07): $14.40
MARKET WEIGHT
Company Update

CONSUMER
Interactive Market Services
NEUTRAL

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Key Data		FY	2006	2007	2008
52-Week Range:	$13-$26	**EPS**			
Market Cap. (mn):	$587.9	Q1	$0.08A	$0.11A	$0.13E
Shares Out. (mn):	40.8	Q2	$0.09A	$0.13A	$0.14E
Avg. Daily Vol.:	459,806	Q3	$0.09A	$0.14A	$0.15E
Fiscal Year-End:	31-Dec	Q4	$0.13A	$0.12E	$0.15E
Dividend (Ind. Annual):	NA	**Year**	**$0.40A**	**$0.50E**	**$0.58E**
Yield:	NA	**P/E**	**36.05x**	**29.00x**	**24.94x**
Debt/Total Capital:	NM	**Rev. (mn)**			
Price/TTM Sales:	9.0x	Q1	$10.2A	$15.5A	$19.7E
Net Cash/Share:	$2.47	Q2	$11.6A	$17.0A	$20.6E
Book Value/Share:	$2.82	Q3	$12.7A	$18.6A	$21.8E
Price/Book Value:	5.1x	Q4	$13.8A	$19.2E	$22.5E
3-5 Year EPS Growth:	20%	**Year**	**$48.4A**	**$70.4E**	**$84.5E**
Price Target:	$22.00	**TEV/Sales**	**16.4x**	**11.3x**	**9.4x**

Note: Price is as of the close on the date indicated. Any price target displayed in the data box above represents either a specific price target or the midpoint of a range.

LOOP Index Weighting

Russell 2000:	0.037%
Russell 3000:	0.003%

Executive Summary

Despite soft guidance on subscriber trends, our latest listings survey and an announced gain in registered users point to potential upside to expectations. With signs of strength and the stock off from mid-October highs, shares appear more attractive. We remain concerned, though, that growth might not be sustainable in a slower economy, and while we have a positive bias, we are not ready to upgrade.

The latest: We count for-sale listings posted on loopnet.com each month and found count for October up 32%, an increase sequentially of 11,000 listings. Growth improved from 26% in 2Q and topped the average monthly sequential gain of 5,800 listings. LOOP also announced today (November 28) that it hit 2.5mn registered users (includes free users and paid subs), an increase of 58% from the year-end count and a sequential pickup of 104,500.

So what? Growth in listings and registered members could be a sign that paid sub growth has not fallen off as much as feared. LOOP guided to a sequential decline in paid subs and we have assumed that count falls by 800. Sequential growth in listings and registered users may well point to an increase in paid subs as well. LOOP added 1 paid sub for every 111 registered users in 3Q and even if we cut that ratio in half, the increase so far in 4Q of 104,500 users could mean about 470 new subs.

EPS impact: It has historically been hard to correlate listings, site traffic and point-in-time user count to paid sub growth. Moreover, it would take a swing of several thousand subs to move 4Q EPS by just $0.01. In other words, upside to sub count may be good news, but is not likely to be enough stand-alone to move the needle on EPS. We remain comfortable with our $0.12 estimate.

Valuation: Our 12-month price target is $22 based on our five-year DCF assumptions: revenue CAGR (18% to 16%), incremental EBITDA margin (50% to 46%), terminal multiple 15x. Although the stock is well below our target, we worry about downward pressure on multiple and estimates in a slower economy. Risks include: sustainability of sub growth, ability to further tier or raise pricing, and rising customer acquisition costs.

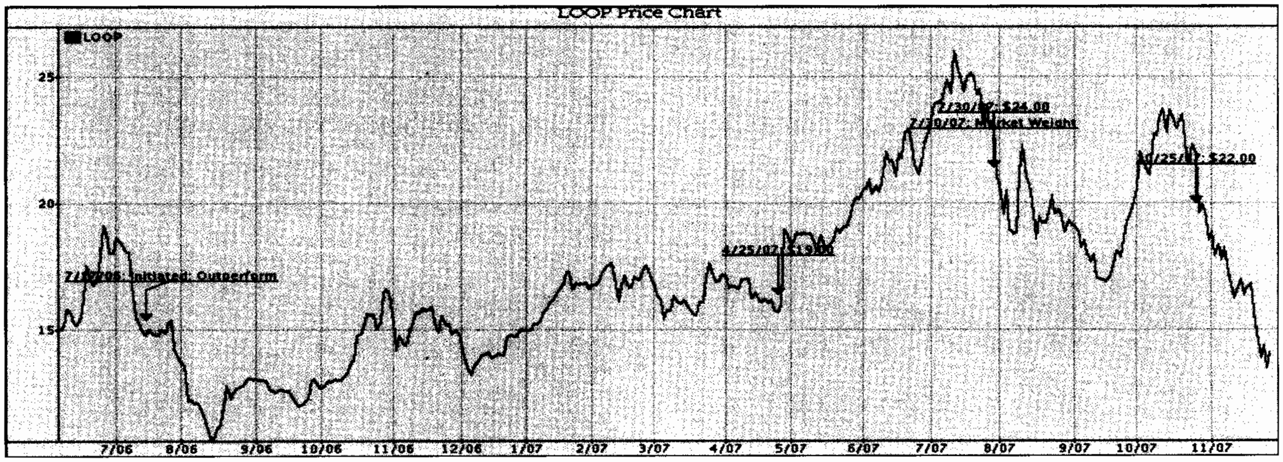
Please see analyst certification and other important disclosures starting on page 3 and continuing through page 5.

Company Description: *LoopNet operates www.LoopNet.com, the leading online commercial real estate listing service. Subscribers have the ability to search and map listings, create prospecting lists and analyze comparable transactions.*

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES:

The Research Analyst(s) principally responsible for the analysis of any security or issuer included in this report certifies that the views expressed accurately reflect the personal views of the Research Analyst(s) about the subject securities or issuers and certifies that no part of his or her compensation was or is or will be, directly or indirectly, related to the specific recommendations or views expressed by the Research Analyst(s) in this report.



Notes: Price chart updated as of 11/25/2007. All price targets displayed in the chart above represent either a specific price target or the midpoint of a range. Prior to November 16, 2006, Thomas Weisel Partners LLC used a three-tier rating system with different rating names and definitions: Outperform, Peer Perform and Underperform.
Source: First Call, FactSet and Thomas Weisel Partners LLC

Thomas Weisel Partners LLC has managed or co-managed a public offering of securities over the past 12 months for the following company or companies: LoopNet, Inc.

Thomas Weisel Partners LLC has received compensation for investment banking services from the following company or companies mentioned in this report over the past 12 months: LoopNet, Inc.

Thomas Weisel Partners LLC expects to receive or intends to seek compensation for investment banking services from the following company or companies mentioned in this report over the next three months: LoopNet, Inc.

Thomas Weisel Partners LLC makes a market in the securities of the following company or companies mentioned in this report and may sell any of the securities to or buy them from customers on a principal basis: LoopNet, Inc.

Thomas Weisel Partners LLC has provided or is currently providing investment banking services to the following company or companies mentioned in this report during the past 12 months: LoopNet, Inc.

The following table outlines the Thomas Weisel Partners LLC stock rating system, along with the relevant definitions, effective November 16, 2006.

STOCK RATING	STOCK RATINGS DEFINITIONS	PCT. OF SECURITIES RATED IN EACH CATEGORY	PCT. FOR WHICH IB SERVICES HAVE BEEN PROVIDED
Overweight (O)	When an analyst rates a stock Overweight, he/she is advising our clients to carry a position in the stock that is in excess of its weighting relative to the stocks either in that analyst's coverage or an index identified by the analyst that includes, but is not limited to, stocks covered by that analyst.	46.6%	31.7%
Total Buy		**46.6%**	**31.7%**
Market Weight (M)	When an analyst rates a stock Market Weight, he/she is advising our clients to carry a position in the stock that is in line with its weighting relative to the stocks either in that analyst's coverage or an index identified by the analyst that includes, but is not limited to, stocks covered by that analyst.	50.2%	8.0%
Total Hold		**50.2%**	**8.0%**
Underweight (U)	When an analyst rates a stock Underweight, he/she is advising our clients to carry a position in the stock that is below its weighting relative to the stocks either in that analyst's coverage or an index identified by the analyst that includes, but is not limited to, stocks covered by that analyst.	3.2%	6.7%
Total Sell		**3.2%**	**6.7%**
Suspended Rating (S)	The stock rating has been suspended.		
Not Rated (NR)	The stock is not rated, but it is covered by a Thomas Weisel Partners LLC analyst.		
Not Covered (NC)	The stock is not covered by a Thomas Weisel Partners LLC analyst.		

Notes: The percentage of investment banking services is calculated as of 9/30/2007. The percentage of securities rated in each category is calculated as of 11/28/2007. The new rating system is effective 11/16/2006. An analyst's coverage universe is defined as all of the stocks within the analyst's industry that reasonably are part of his/her potential coverage, not necessarily the stocks specifically covered. "Buy", "Hold" and "Sell" are not ratings categories defined by Thomas Weisel Partners LLC and should not be interpreted as investment opinions. We show these categories for illustrative purposes in accordance with NASD and NYSE regulations. The above table includes Thomas Weisel International stocks.
Source: FactSet and Thomas Weisel Partners LLC

The following grid outlines the Thomas Weisel Partners LLC industry rating system, along with the relevant definitions, effective November 16, 2006.

INDUSTRY RATINGS	INDUSTRY RATINGS DEFINITIONS
Favorable	When an analyst assigns a Favorable rating to an industry that means he/she believes that, generally, the industry's fundamentals or stock prospects are improving.
Neutral	When an analyst assigns a Neutral rating to an industry that means he/she believes that, generally, the industry's fundamentals or stock prospects are stable.
Unfavorable	When an analyst assigns an Unfavorable rating to an industry that means he/she believes that, generally, the industry's fundamentals or stock prospects are deteriorating.

Source: Thomas Weisel Partners LLC

The following grid outlines the Thomas Weisel Partners LLC stock rating system, along with the relevant definitions, in effect from April 4, 2003, to November 16, 2006.

COMPANY RATING	RATINGS DEFINITION
Outperform (O)	The stock is expected to outperform the median performance of the Analyst's coverage universe over the next six to 12 months.
Peer Perform (P)	The stock is expected to perform in line with the median performance of the Analyst's coverage universe over the next six to 12 months.
Underperform (U)	The stock is expected to underperform the median performance of the Analyst's coverage universe over the next six to 12 months.
Suspended Rating (S)	The stock rating has been suspended.
Not Rated (NR)	The stock is not rated, but it is covered by a Thomas Weisel Partners LLC analyst.
Not Covered (NC)	The stock is not covered by a Thomas Weisel Partners LLC analyst.

SECTOR RATING	SECTOR RATING DEFINITION
Overweight (OW)	The Analyst's coverage universe is expected to outperform the S&P 500 over the next six to 12 months.
Market Weight (MW)	The Analyst's coverage universe is expected to perform in line with the S&P 500 over the next six to 12 months.
Underweight (UW)	The Analyst's coverage universe is expected to underperform the S&P 500 over the next six to 12 months.

Source: Thomas Weisel Partners LLC

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Exhibit 17

The Motley Fool
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Best Stock for 2008: LoopNet

http://www.fool.com/investing/small-cap/2007/12/31/best-stock-for-2008-loopnet.aspx

Katrina Chan
December 31, 2007

Ring in the new year with more stocks for 2008.

The year is just about over, and now you're looking ahead toward 2008. It's time to make that New Year's resolution, and it probably won't have anything to do with real estate, considering how ugly things got in 2007. But wait! If you don't think about real estate, you might actually overlook a leader of the less volatile commercial real estate market: **LoopNet** (Nasdaq: LOOP).

Our house ...
LoopNet is a one-stop shop in the widely fragmented commercial real estate market. In LoopNet's own words, its services allow subscribers to "list, search, market, research, and finance commercial real estate properties over the Internet." The online marketplace connects buyers and sellers, much as **eBay** (Nasdaq: EBAY) does for consumers. And the company boasts both the largest network of its kind, with 2.5 million registered members, and the most heavily trafficked commercial real estate website, with almost 915,000 average monthly unique visitors. When you figure that LoopNet has 535,000 listings for $425 billion of property available for sale, you can see why it's an attractive magnet for industry professionals.

LoopNet's business model relies mostly on its real estate platform and the premium subscribers that come from it. Anyone can register for access to the company's free listings, but it's the monthly paid subscriptions that provided 76% of the company's revenue last quarter.

	Total Members	Premium Members	Average Monthly Premium Subscription Price	Estimated Quarterly Revenue From Premium Subscriptions
Q4 2005	1.1 million	57,000	$44.96	$7.7 million
Q4 2006	1.7 million	78,000	$47.26	$11.1 million
Q3 2007	2.4 million	90,000	$53.07	$14.3 million

Source: LoopNet 10-Q.

The revenue from premium subscriptions has almost doubled in less than two years from both an increase in premium memberships and the price paid per month. Don't be fooled by the average monthly premium subscription price, either. Brand-new premium subscribers are charged $89.95 a month. LoopNet also started offering a tiered price scheme based on usage, since its membership is not one-size-fits-all. This should drive more revenue while appeasing a larger audience.

... is a very, very, very fine house

It's this consistent subscription model that gives LoopNet its financial stability and growth over online residential real estate companies such as **HouseValues** (Nasdaq: SOLD) and **IAC/InterActiveCorp**'s (Nasdaq: IACI) RealEstate.com, which rely heavily on lead generation.

But that doesn't mean LoopNet isn't facing competition. Its closest competitor, **CoStar** (Nasdaq: CSGP), provides research and in-depth property information for commercial real estate agents. Websites such as eBay and Craigslist, and even search engines such as **Google** (Nasdaq: GOOG) and **Yahoo!** (Nasdaq: YHOO), provide classified listing services for sellers. It's just that LoopNet offers all of these things in *one* destination, with a website frequented by more than 2.5 million members.

What also helps LoopNet solidify its position as the industry standard is that "virtually all of the top commercial real estate firms in the U.S." use it. The company has struck syndicated partnerships with newspapers such as *The Wall Street Journal* and *The American City Business Journal*, in addition to more than 100 newspaper partners that its CityFeet acquisition brought into the fold.

With free cash flow in the yard ...

The company's financial position? Sturdy as a cement block. Since its operations are online, LoopNet has an asset-light model. And with few capital expenditures, the company generates strong free cash flow. Over the first nine months of this year, LoopNet generated free cash flow of $20.4 million, which equates to 40% of its total revenue over the same time frame. And that's not unique to this year. The company has been profitable and generated positive cash flow every quarter since 2003, thanks to its business model. And it does all of this with no debt on the balance sheet and rich margins -- enough to allow the company to have beaten Wall Street estimates in every quarter since it went public.

So let's recap here:

- A small-cap company that's growing its user base substantially.
- A comprehensive product that the top firms in the industry use.
- A low cost structure coupled with growing subscription revenue.
- Ability to generate impressive free cash flow without carrying any debt.
- A company whose insiders own about 10% of the shares outstanding (OK, I just added this one, but it's important)

... life isn't so hard

So is this the stock for your portfolio in 2008? Can this small-cap company -- or *any* small-cap company -- help your portfolio make that cool $1.3 million? If you think LoopNet is a compelling stock for the new year, head on over to CAPS and mark the company as an outperform. Then tune in later this week, when we announce the best stock for 2008.

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Exhibit 18

LOOPNET.COM TRAFFIC

Month	Total Unique Monthly Visitors to LoopNet.com per comScore data (in thousands)
February 2007	826.48
March 2007	892.99
April 2007	1,200.62
May 2007	839.31
June 2007	823.35
July 2007	958.70
August 2007	937.40
September 2007	816.28
October 2007	935.42
November 2007	946.41
December 2007	827.99
January 2008	1,133.64
February 2008	862.22
March 2008	849.98
April 2008	903.55